Austria . . Sch. 18	Indonesia . . Rp 2500	Portugal . . . Esc 80
Bahrain . . Din 0 650	Italy . . . . . . L 1300	S. Arabia . . Rls 6.00
Belgium . . . BFr 42	Japan Y550	Singapore . S$ 4.10
Canada . . . C$1.00	Jordan . . . Fils 500	Spain . . . . Pta 110
Cyprus . . . C£0.60	Kuwait . . . Fils 500	Sri Lanka . . . Rup 30
Denmark . . Dkr 7 25	Lebanon . . £L 8.00	Sweden . . Skr 6 50
Egypt . . . E£1.00	Luxembourg . LFr 42	Switzerland SFr 2.20
Finland . Fmk 6.00	Malaysia . Rm 4.75	Taiwan . . . NT $65
France . . FFr. 6.00	Mexico . . Pes 300	Tunisia . . Din 0.600
Germany . DM 2.20	Morocco . . Dh 6.00	Turkey . . . . L 210
Greece . . . . . Dr 70	Netherlands . Fl 2.50	U.A.E. . . . Dh 6.50
Hong Kong . HK$ 12	Norway . Nkr. 6.00	U.S.A. $1.00
India . . . . Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,816 — Monday December 30 1985 — D 8523 B

EEC: Spain and Portugal leap into unknown, Page 7

World news

Gandhi attacks private sector

India's Prime Minister Rajiv Gandhi attacked the country's industrial empires and businessmen in a speech in Bombay during celebrations to mark the centenary of the ruling Indian National Congress Party. He accused them of sheltering "battalions of law breakers and tax evaders."

His vehement attack on industrialists is a warning to them in the context of his carrot-and-stick policy.

There have been tax raids on some leading businesses recently. The Government has also announced a substantial liberalisation of its industrial licensing policy and a new tax policy which are highly favourable to businessmen. Page 2

W Africa ceasefire

Burkina Faso and Mali, neighbouring West African states, accepted a ceasefire in their four-day-old border war, the official Burkinabe radio said.

Soviets accuse US

The Soviet Union accused the US of violating the 1972 Anti-Ballistic Missile (ABM) treaty with an underground nuclear test in the Nevada desert. Page 2

Sudan elections

Sudan's first general elections in nearly two decades will be held over 12 days starting April 1. Page 2

Athens airport strike

Many foreign airlines cancelled flights out of Athens airport as a strike by local staff entered its third day.

Aquino farm seizure

A Philippines court ordered the seizure of a 15,000 hectare sugar plantation owned by the family of presidential candidate Corazon Aquino.

Pakistan changeover

Pakistan's President Zia ul-Haq named civilian governors for the country's four provinces, on the eve of the expected end of 8½ years of martial law. Page 2

Singapore U-turn

The Singapore Government, in a major reversal of economic policy, has called for a cut in compulsory contributions to the country's national savings scheme to reduce labour costs and stimulate domestic demand. Page 2

Nakasone's reshuffle

Japanese Premier Yasuhiro Nakasone reshuffled his Cabinet, changing 17 of the 20 posts but keeping the balance of power between Liberal-Democratic Party factions. Page 2

Comecon criticised

Romanian President Nicolae Ceausescu criticised the recent Comecon meeting in Moscow which co-ordinated Eastern bloc economic and technological development. Page 2

Spanish pit protest

Mining unions in the eastern Spanish region of Teruel have called a general strike today to protest against production cuts and job losses.

Hanoi accuses China

Hanoi said Chinese troops backed by a heavy artillery barrage had crossed the border into Vietnam.

Rebels 'kill 21'

Afghan rebels said at least 21 Soviet soldiers died in a guerrilla rocket attack last Thursday, the anniversary of Soviet military intervention in the country.

Chinese crackdown

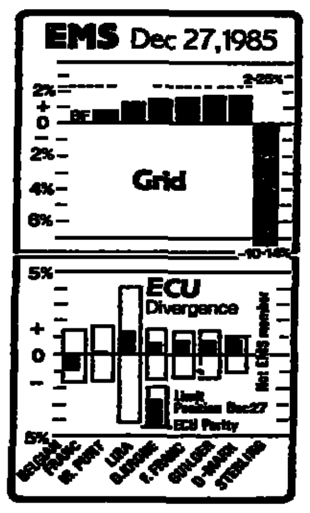
Chinese Public Security Minister Yuan Chongwu said a two-year anti-crime drive broke up 130,000 gangs and lowered the crime rate by almost 40 per cent.

Business summary

French to help build plant in Japan

ELF-AQUITAINE, French state-controlled oil group, and L'Air Liquide, leading French industrial gases group, have reached an agreement with Dainippon to build a $50m hydrogen peroxide plant in Japan. The plant is due to come on stream at the end of next year and is expected to produce about 20,000 tonnes of hydrogen peroxide a year, at full capacity. Page 3

EUROPEAN Monetary System: The dollar's renewed weakness led to further pressures within the EMS last week. Trading was quiet around the Christmas break but the low volume led to some erratic movements. Consequently a move out of dollars and into D-Marks



pushed the latter above the French franc and Dutch guilder to be placed second behind the Italian lira. The Belgian franc was the weakest currency but was slightly up from the previous week and remained within its divergence limit.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

BRITAIN will provide Bangladesh with £50m in project aid to finance activities ranging from natural gas development and bridge construction to population and health control. Page 3

YUGOSLAVIA'S Parliament approved a five-year development plan providing for 4 per cent growth in the economy. Tourism is expected to bring in $2.1bn. Page 2

ANGOLA'S OIL production has reached a record 300,000 barrels a day and could reach 500,000, according to state oil group Sanangol head, Herminio Escorcio. Page 3

THAILAND'S national oil company reported profits for the year ended September 30 per cent down at 2.4m baht ($88m), due to foreign exchange losses following a 14 per cent devaluation in November 1984.

PEPPER SUPPLIES, hit by a succession of poor crops in Indonesia and Brazil, are likely to drop to an all-time low in the next six months, sowing the seeds of a further price explosion on the world market. Page 2

COMPANIES

Austin Rover exports up

AUSTIN ROVER car exports in 1985 were up 15 per cent at 104,000, the first time since 1979 that overseas sales of a built-up British car has passed 100,000. Page 3

OCCIDENTAL Petroleum of the US has reached an agreement with Peru on tougher taxing measures, but giving the company drilling access to previously prohibited territory. Page 2

NEWS INTERNATIONAL chairman Rupert Murdoch said his Wapping, east London, plant will be made ready to print a new London newspaper, The Post, and to meet urgent requirements of other group newspapers. Page 4

European business learns to live with bouncing $

VIOLENT currency fluctuations no longer strike fear into European industrialists. Most seem to have been neither surprised nor upset by the sharp fall of the dollar this year, **writes our European staff.**

That is the main impression emerging from an informal survey of leading European manufacturers, carried out by Financial Times reporters in recent weeks.

On the one hand, almost all large exporters protect sales made in foreign currencies by hedging. On the other, an increasing number of companies have internal reciprocal trade which mutes the effects of currency fluctuations.

For example, Pernod Ricard, the largest French spirits and soft drinks group, is winning on its $7m-$8m of orange juice imports to make Orangina and other orange-based drinks. But it loses on the translation into French francs of the $6m-$7m of profits from US subsidiaries into the consolidated accounts.

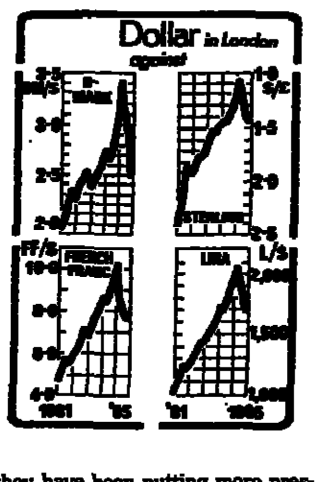
Siemens, the West German electricals group, says only about one quarter of its DM 50bn sales in the US come from exports from Germany, and these are largely offset by imports into Germany from group factories in the US.

Benetton, the Italian clothing group, may have to squeeze its margins on exports of garments to the US, but it saves money on the large volumes of denim it imports from the US.

For those companies that manufacture in the US, there is a similar combination of costs and benefits. While the US operations are now more competitive, the value of their profits is less when translated into a European currency.

Pre-tax profits of BAT Industries of the UK, for example, fell by £145m in the first half of this year, and the company, which has large operations in the US, attributed £116m of that decline to currency fluctuations, mostly changes in the dollar.

One large industry that is clearly suffering as a result of the decline of the dollar is steel. Producers around the world no longer find the US market as attractive as it was when the dollar was high, and so



they have been putting more pressure on the European markets in recent months, especially that of West Germany, and prices have weakened.

Mr Werner Hartung, director of Thyssen Stahl, doubts that planned price increases in January will take immediate effect because of the increasing import pressure.

For most industrialists, though, the fall of the dollar this year, even though substantial, has not yet reached the worrying stage. They point out that it is still far higher than it was four years ago. On January 1 1981, the dollar would buy DM 1.97, against DM 2.47 on Friday. Against the Italian lira, the dollar is still 83 per cent higher than it was in January 1981 and 68 per cent higher against the French franc.

Manufacturers appear to have planned their operations on the assumption that the dollar would fall somewhat this year. Many British manufacturers, for example, seem to use a $1.40 = £1 rate when assessing the competitiveness of their UK operations, and few complain about having to operate at this level.

Mr Brian Knightley, finance director of Babcock International, a UK engineering group, said its UK subsidiaries "scream a bit at times" about the impact of higher sterling on their competitiveness. "But it is only the odd order we have lost because of exchange rates."

Olivetti of Italy, which exports 20 per cent of its output to the US, said it was not concerned at the drop of the dollar to date, but if it continued to weaken in 1986, it would hurt the company's competitiveness.

West German chemical companies, however, were worried about increased competition from US rivals in world markets. Mr Hermann Josef Strenger, chief executive of Bayer, said that he had already noticed the first signs of a tougher challenge from the US in Asian and Latin American markets.

Companies that have borrowed heavily in the US in recent years to finance acquisitions are relieved by the move of the dollar, although Mr Allan Gormly, managing director of Britain's John Brown engineering group, only wishes it had happened a year earlier.

John Brown suffered a financial squeeze starting in 1982 because the cash flow of its US subsidiaries was inadequate to cover the cost of servicing its US dollar debt. Things

Continued on Page 8
Currencies, Page 22

Israel delays decision on retaliation over airport terror attacks

BY OUR FOREIGN STAFF

ISRAEL is expected to delay its retaliation to the Palestinian terrorist attacks on El Al check-in desks at Rome and Vienna airports last Friday which left 15 bystanders dead and over 120 injured.

Yesterday a session of the Cabinet under Prime Minister Shimon Peres, heard a detailed report on the incidents at a meeting attended by Gen Moshe Levy, the Chief of Staff, and Gen Amos Lapidot, the commander of the air force. No clear-cut decision was reached on what might be taken in revenge.

One factor was the US appeal to unidentified states in the Middle East to show restraint in the aftermath of the attacks. Another was the difficulty of identifying immediately a target which would be both appropriate and plausible to international, especially American, opinion.

Mr Peres acknowledged receiving a message from President Ronald Reagan in the short statement issued after the meeting which was held in the context of the ministerial defence committee. Its deliberations are traditionally kept tightly secret.

The message from the White House urged the Israeli Government not to "allow terrorists to deter us from pursuing our larger goal of a lasting peace" – while adding that terrorists must be brought to justice.

"Every effort is being made to temper the expected Israeli response," a senior White House official said in Washington yesterday. "Exercise of any of the military options open to Israel would certainly inhibit the peace process in the Middle East," he added.

Italian authorities started a search for two suspected accomplices of the four Palestinian terrorists who took part in the Rome airport attack. Meanwhile, Austrian police remained sceptical about claims that the three terrorists responsible for the assault at Vienna airport were members of the mainsteam PLO faction, Al-Fatah. Page 2

The US is anxious to head off a repetition of the sort of response Israel made in October when its air force bombed the headquarters of the Palestine Liberation Organisation in Tunis, killing 60 people, in retaliation for the murder of three Israelis at Larnaca harbour, Cyprus.

Jerusalem would be reluctant to risk straining relations with Washington following friction over the espionage scandal involving the sale to Israeli embassy officials by a US Navy intelligence analyst of classified information, observers believed.

Israel may also be anxious first to settle the issue of the Syrian anti-aircraft missiles redeployed in the Bekaa Valley in Lebanon which pose a potential threat to reconnaissance over its northern neighbours' territory.

At the same time Israeli officials acknowledged that Jerusalem had not determined which Palestinian faction was responsible for the airport attacks.

The tendency among independent Israeli experts and analysts – concurring with the information obtained by the Italian authorities – is that the terrorists were part of the group headed by Abu Nidal, a fierce opponent of Mr Yassir Arafat and the mainstream Palestine Liberation Organisation.

They agreed that hitting back at this extremist faction dedicated to terrorism and to destroying any "peace process" was not easy, although Libya might prove a tempting target and one relatively acceptable to the US. Abu Nidal has a foothold there as well as in Syria – from where the terrorists are said to have come to Italy

Three militias sign Lebanese peace accord

BY RICHARD JOHNS IN LONDON

AGREEMENT ON a peace settlement in Lebanon and reform of the country's political system has been signed in Damascus by the leaders of the Shia, Christian and Druze militias.

Syrian official media triumphantly acclaimed the accord which was the result of more than three months of stop-go negotiations. President Hafez al-Assad assured the three leaders that Syria would spare no effort "to ensure the translation of the accord into a reality on the ground."

The agreement marks a consolidation of Syrian influence over the fragmented country and is Mr Assad's second important success in regional politics after the Lebanese Government's renunciation last year of the May 1983 accord with Israel.

Signatories of the agreement were Mr Nabih Berri, leader of Amal, the mainstream Shia movement; Dr Elie Hobeika, commander of the Lebanese Forces, the united Christian militia and Mr Walid Jumblatt, chief of the Progressive Socialist Party, a predominantly Druze faction.

It provides for the ending of the state of conflict over a period of a year during which the militias would be disbanded, a complete ceasefire enforced, and the Lebanese Army restructured along non-confessional lines.

It calls for the immediate formation of a National Coalition Government under a council of six ministers representing the country's six main sects.

Under the accord elections for a new parliament will be held, giving Moslems and Christians an equal number of seats and increasing the total from the present 99 to 198.

At Lebanon's independence in 1943 a balance of power was established with Christians holding a six-to-five advantage and the Maronite Catholic sect securing not only the presidency but also the army command, governorship of the central bank and the top post in the judiciary.

With the text of the 23-page document still not released last night it was not absolutely clear whether the presidency would remain a Maronite preserve, but it was understood that the head of state's powers would be reduced.

The Phalange Party, the main Maronite political organisation, and other Christian leaders last week expressed opposition to the agreement. Senior representatives of the Sunni Moslem sect, the Maronites' main partners in power before the civil war, have also been unhappy about not being a party to the accord.

SA black students plan to end boycott of schools

By Jim Jones in Johannesburg

SOUTH AFRICA'S black students yesterday agreed to a conditional end to their three-year boycott of classes, a move which may help reduce tensions in the country's troubled townships.

The promised return to school follows unprecedented negotiations between students and parents, who consulted the banned African National Congress (ANC) and three government ministries.

South African political commentators believe that the development could provide the Government with grounds to lift the six-month-old state of emergency and to withdraw soldiers from black townships, where over 800 lives have been lost in the past year.

The students, who have been at the forefront of opposition to the South African Government, will return to classes on January 28. They have given the Government three months to meet demands which include educational reforms, the release of detained student leaders and a lifting of the ban on the Congress of South African Students.

Addressing a conference at which the students' decision was announced, Bishop Desmond Tutu, the Anglican bishop of Johannesburg, called for a general strike if the demands were not met. "If the Government after three months refuses these requests, then it must not just be students who lay down tools. I suggest that teachers, parents, workers, church leaders, university staff and students must all combine in a concerted effort to say stop," he told the conference. He would also call for "punitive sanctions" against the Government, he said.

The decision was taken at a weekend conference at the University of the Witwatersrand in Johannesburg, convened by the Soweto Parents' Crisis Committee (SPCC) and attended by 700 delegates representing 160 influential black, coloured and Indian social, political, student and educational groups.

The return to school is conditional upon the Government's agreement to withdraw troops from the townships, to lift the state of emergency, to remove the banning order imposed on the Congress of South African Students, to reinstate dismissed teachers and to provide free education for all children, not just whites.

Addressing the conference yesterday morning, Bishop Tutu echoed its decision that unless the Government acceded to these demands

Continued on Page 8

Union Carbide hints at new defence move

BY TERRY DODSWORTH IN NEW YORK

UNION CARBIDE, the beleaguered US chemicals company, gave a strong hint yesterday that it was preparing a further defensive move against the takeover bid by GAF, when it urged shareholders to continue to tender their stock into its own share buy-back scheme.

In its first detailed response to GAF's revised offer, Union Carbide also stressed that the new bid from the much smaller chemicals company "triggered a condition that permits Union Carbide at its discretion to revise, amend or terminate its exchange offer." The company added that the GAF proposal, an all-cash bid at $74 a share, would be considered by the full board on January 2.

The form of Carbide's statement, with its emphasis on its ability to change its offer for its own shares, gave rise to suggestions yesterday that the company might be preparing to sweeten the buy-back proposals. These were launched in the wake of GAF's original bid of $68 a share.

Under Carbide's offer, limited to only 35 per cent of its equity, shareholders would receive a package of cash and securities which the company valued at $85 a share. GAF's all-cash bid was widely regarded on Wall Street as a strong response to the buy-back proposal, partly because some analysts have not put such a high value on the $85 a share package as Carbide itself, and partly because of the 35 per cent limit put on the self-offer.

The struggle for Union Carbide, which was thrown off course about a year ago when its Indian subsidiary at Bhopal suffered a fatal gas leak, killing around 2,000 people, has now entered a phase of complex manoeuvring.

Various suits and counter-actions have been launched in the courts challenging the tactics of both sides, and they have each come up with new techniques to try to neutralise the opponent's attack.

GAF, for example, has advised shareholders to accept the Carbide tender, and has offered to acquire shares in the buy-back pool as part of its $75 a share bid. This is seen as an attempt to undermine the Carbide offer, and several investors have said they will tender into the buy-back because GAF's proposal takes away the problem of selling shares to the wrong offer.

If Union Carbide is unable to make an adequate response this week, many analysts believe that the battle for the company will be almost over.

Renault injects further $50m into AMC

By Terry Dodsworth in New York

RENAULT, the French state-owned motor group, has injected a further $50m into American Motors (AMC), its US affiliate, through the acquisition of debentures issued by the American group.

The funding move comes at a time of financial pressure on AMC, which has suffered through falling sales of its US-built Alliance car range this year. Output in 1985 is expected to amount to about 111,000 against 192,000 last year.

Although its Jeep vehicles are selling well, and a new labour contract signed in the summer is saving costs, the company expects to be in loss for the second half of the year after a net loss in the first half of $99.4m. In the third quarter, it reported a deficit of $19.1m.

AMC said that the debenture issue brings Renault's total investment in the group to $645m. That figure includes the $405m the French company spent in acquiring its 46.1 per cent stake in AMC in 1979, as well as subsequent capital increases.

No indication was given of how the new finance would be spent by AMC, which said recently that it was in talks with the local government in Wisconsin on financial assistance for the modernisation of its operations in the state.

CONTENTS

Gandhi launches sharp attack on industrialists

BY K. K. SHARMA IN NEW DELHI

MR RAJIV GANDHI, the Indian Prime Minister, used the platform of his ruling Congress Party's centenary celebrations to make a major attack on India's large industrial empires and businessmen, accusing them of sheltering "battalions of law breakers and tax evaders."

There were industrialists, he said, who were untouched "by the thrusting spirit of great risk-takers and innovators. Many have not cared to learn the fundamental lesson that industrialisation springs from the development of indigenous technology, not from dependence on others."

He added: "Industrial empires *built on the shaky foundations* of excessive protection, social irresponsibility, import orientation and corruption may not last long."

Mr Gandhi's 75-minute opening speech to the rally on Saturday was a warning to industrialists in the context of his Government's "carrot-and-stick" policy.

The Indian Government has recently announced substantial liberalisation of its industrial licensing policy and a new long-term fiscal policy that are highly favourable to businessmen, but Mr Gandhi's strong speech was obviously meant to warn them that the Government would insist on their following its approach to development in return. Some leading business houses have been raided by tax inspectors recently.

Another highlight of Mr Gandhi's address was his call for a "build India movement" to which he wanted Congress Party members to dedicate themselves. This was summed up in his statement that "we must break the nexus between *political parties and vested* interests."

The colourful centenary celebrations were attended by hundreds of thousands of delegates at Bombay's Brabourne Stadium, specially canopied for the occasion. Because of the tight security, there was considerable chaos and confusion and thousands—*including journalists* — were unable to attend the function.

What was also clear was that the Congress was not the same won the country's independence in 1947. Huge blow-ups of its past leaders adorned the podium but nearly every speaker euligised the present prime minister.

Mr Gandhi said, however, that he would attempt to reform the party organisation from grassroots level. The first step will be the holding of internal elections, culminating in the election of the party president next June. Neither Mr Gandhi nor his mother contested party elections and both led the Congress after being nominated as president by their followers.

INTERIOR MINISTER CALLS FOR TIGHTER SECURITY CONTROLS

Italy hunts two more terrorists in Rome airport attack

BY ALAN FRIEDMAN IN MILAN

THE ITALIAN authorities have started an intensive search for two suspected accomplices of the four Palestinians who took part in the terrorist attack at Rome Airport last Friday. This follows interrogation of the only surviving terrorist, 19-year-old Mohamed Sarham, a Palestinian born in the Chatila refugee camp in Lebanon.

Mr Oscar Luigi Scalfaro, the Interior Minister, has called for new security measures at airports, ports and railway stations, for legislation to tighten controls on foreigners, and for renewed international co-operation in the fight against terrorism.

Speaking in the Senate on Saturday after a meeting with Italy's top security officials, he said he believed that at least two accomplices in Italy had aided the attack.

Several members of the five-party coalition government led by Mr Bettino Craxi opened a new round of polemics over Italy's foreign policy in the Middle East, with some calling for a "complete debate." The attack will be discussed in the Chamber of Deputies today.

Mr Giulio Andreotti, the Foreign Minister, stood out from his colleagues in that he devoted much of a statement released by his ministry to expressing "surprise" at criticism by the Israeli Government of leniency on Rome's part.

The minister, who has been criticised for being too friendly with the Palestine Liberation Organisation, did not interrupt his holiday to return home for the round of emergency government meetings at the weekend. He stressed that the terrorist attacks should not "deflect from the search for peace in the Middle East" and spoke of the need for "a solution to the Palestinian problem."

As the death toll in the Rome attack rose to 15, Judge Domenico Sica, the investigating magistrate, resumed his questioning of Mohamed Sarhem at the hospital where he is being held.

Sarham described himself as a "Palestinian soldier" and said he and his accomplices were members of the Abu Nidal faction. He also said more terrorist attacks were being planned for Italy and elsewhere in Europe. The four terrorists who took part in last Friday's attack arrived in Rome on December 6 and are believed to have travelled on false Moroccan passports.

Mr Fulvio Martini, the head of Italy's secret service, said the terrorists had been trained in Iran and had entered Italy by way of Damascus. In an interview with La Repubblica, the Rome daily newspaper, he said: "We came into possession of a list of airports where the attack was being studied." The list included Rome, Nicosia and Madrid, but not Vienna.

Patrick Blum adds from Vienna: The Austrian police remained sceptical yesterday about claims that the three terrorists responsible for the attack against the Israeli airline at Vienna's international airport on Friday were members of Al Fatah, the mainstream faction of the PLO led by Mr Yassir Arafat.

Abdel Aziz Merzoughi, one of the three terrorists, reportedly *told a US journalist* that he and his two accomplices were members of Al Fatah and that they had received their orders from the organisation. The reporter, however, later said that the interview had been carried out in broken English and that Merzoughi may not have understood the questions.

A police spokesman yesterday also expressed doubt that the statement was accurate. "So far, we have no indications that this group belongs to Fatah," he said.

According to the text of the interview, Merzoughi said he was a Palestinian and that he had come from Lebanon. He was from the PLO. In reply to a question about who had given him his orders, he answered: "I am from Fatah." When asked whether all three men were from Fatah, Merzoughi answered just one word: "Fatah."

Police interrogating Merzoughi say his English is extremely poor. So far, they have been unable to find out who masterminded the attack, or the terrorists' motives.

On Friday, Mr Daub Barakat, a PLO spokesman in Vienna, condemned the attack which left three dead, including one of the three terrorists, and 40 wounded. The other two terrorists were seriously injured. Merzoughi named his accomplices as Ben Ahmed Chaoval and Ben Abdoolah Saadaoui, who was killed. The police are still checking to see if the names are accurate. They quoted Merzoughi as saying that the three had entered Austria with Tunisian passports.

Dr Rudolph Schiessel, a physician at the hospital to which the two men were admitted, said that Merzoughi's condition—he was shot in the chest—had improved and he had been transferred to a prison infirmary. Chaoval, with a more serious stomach wound, remained at hospital in a satisfactory condition. Both men will stand trial for murder, according to a spokesman from the Interior Ministry.

Eighteen victims of the attack were still in hospital yesterday.

Zia likely to lift martial law in Pakistan today

BY MOHAMMED AFTAB IN ISLAMABAD

PAKISTAN'S President Mohammad Zia ul-Haq named civilian governors for the country's four provinces yesterday, on the eve of the expected lifting of eight and a half years of martial law, today. A government statement said the new governors, three of whom replace military men, would take oath of their office *today*.

He has already appointed Mr Mohammad Khan Junejo, a low-profile middle-of-road politician from the southern Sind province, as Prime Minister. Mr Junejo is likely to reshuffle his cabinet, although key ministers, including Mr Mahbubul Haq, the Minister of Finance, and Mr Sahabzada Yaqub Khan, the Foreign Minister, are likely to be retained.

Gen Zia will continue as president until 1990, under a mandate he received in the December referendum on his economic and Islamisation policies.

The referendum was described as "a farce" by the opposition, grouped in an 11-party alliance named the Movement for Restoration of Democracy (MRD), which has demanded that Gen Zia step down and hold fresh elections.

The lifting of martial law is likely to make little immediate difference to government-opposition relations. This is because political parties may still need several months to be registered with the government *under a new law*.

The registration process provides that if a party's programe or manifesto is against Pakistan's Islamic ideology, it will be banned. All parties will have to submit their accounts to the chief election commissioner for audit and to ensure no money is received from abroad.

● Mr Murtaza Bhutto, elder son of the late Prime Minister, has been sentenced to 14 years imprisonment, on charges of anti-state activities, using explosives, and sabotage.

Mr Bhutto and 86 others were tried in their absence as most of them are abroad or in hiding. The court also imposed fines on the accused ranging from $600 to $2,500, and ordered their property to be confiscated.

Nakasone carries out Cabinet reshuffle

BY CARLA RAPOPORT IN TOKYO

JAPAN'S Prime Minister, Mr Yasuhiro Nakasone, carried out a routine Cabinet reshuffle at the weekend which retained the balance of power between the various political factions of the ruling Liberal-Democratic Party.

Mr Nakasone changed 17 of *the 20 Cabinet posts, retaining* Mr Shintaro Abe as Foreign Minister and Mr Noboru Takeshita as Finance Minister. Both are key members of the Nakasone administration and are considered potential leaders of the LDP.

Mr Nakasone also retained Mr Korchi Kato as Defence Agency Director-General, a move which was generally unexpected.

At the *same time*, Mr Nakasone shuffled the leadership of the LDP, but retained the four top officers. They are: Mr Kiichi Miyazawa, chairman of the executive council; Mr Susumu Kanemaru, secretary-general; and Mr Masayuki Fujio, chairman of the Policy Affairs Research Council.

Of the major LDP factions, the Tanaka faction continues to hold six seats, while the Suzuki and Fukuda faction hold four each, Mr Nakasone's faction three, and the Komoto faction two.

Prominent among the new Cabinet members is Mr Michio Watanabe, now head of the Ministry for International Trade and Industry (Miti).

Mr Watanabe, a former finance minister in the Suzuki Cabinet, is noted for his outspoken manner. A member of the Nakasone faction, at 62, he is considered to be among the LDP's new leaders.

Pepper shortage predicted

By Andrew Gowers

SUPPLIES OF pepper, hit by a succession of poor crops in Indonesia and Brazil, are likely to drop to an all-time low in the next six months, sowing the seeds of a further price explosion on the world market.

This warning comes today in the latest pepper market report from Man-Producten of Rotterdam, one of the world's leading spice traders.

The report says that production of pepper is expected to fall well short of consumption in 1985-86 for the third consecutive season, bringing no prospect of relief from prices which have risen to record levels over the past two years.

"Stocks in consumer hands as well as in producer hands have been reduced by some 60,000 tonnes during the past two seasons, meaning that as time proceeds it will become more and more unlikely that old stocks can be used to fill the enormous gap between supply and demand," it says. Exportable production is estimated at 90,000 tonnes, 30,000 tonnes short of consumer requirements.

This mainly reflects an extremely poor crop in Indonesia, where bad weather has reduced exportable production to 17,000 tonnes from *30,000 in normal* circumstances. In addition, output in Brazil—where the pepper industry has been in structural decline in recent years —is being depressed further by outbreaks of disease.

The report says total Brazilian exports from the current crop are not likely *to exceed 20,000 tonnes*, and production will probably fall further in 1986.

Man-Producten does not see any sign of a major decrease in consumption in most western countries, either—despite the high prices. Only smaller importers such as Egypt, Morocco and Saudi Arabia are expected to cut *consumption*.

Total net imports in 1984 were around 128,900 tonnes, only 5 per cent below the 1983 level. Man-Producten says demand this season will not be much below 120,000 tonnes.

There was some speculation among traders last summer—when prices dipped—that an improved crop in India, traditionally the largest producer, could bring some relief for the world market this season. But a large proportion of India's crop is tied up in domestic consumption and in barter deals with the Soviet Union, and the Man-Producten report appears to discount the effect of Indian supplies.

"The hand-to-mouth buying policy practised by many industries world-wide is, in our opinion, a dangerous game to play," says the report.

Singapore hints at economic policy change

BY CHRIS SHERWELL IN SINGAPORE

AN IMPORTANT reversal in Singapore's economic policy has been signalled with a call for a cut in compulsory contributions to the country's national savings scheme.

The call, aimed at reducing labour costs and stimulating domestic demand, has come from Dr Tony Tan, Minister of Trade and Industry and of Education. It appears to have the support of key cabinet ministers, including Mr Goh Chok Tong, the First Deputy *Prime Minister*.

A cut in contribution to the Central Provident Fund (CPF) *would* mark an extraordinary about-turn in policy. As recently as August, Mr Lee Kuan Yew, the Prime Minister, ruled out a change, saying the CPF was a "nest egg of last resort." Dr Tan himself has previously held this view, too.

Behind his call lies mounting concern about Singapore's deepening economic recession. Gross domestic product *is* expected to contract by 2 per cent in 1985 after an 8.2 per cent expansion in 1984. With the outlook for 1986 no better, both domestic and foreign confidence have weakened.

There is a growing realisation *in the Government that*, along with external factors like slower world trade, high local labour costs and slack domestic demand have caused Singapore's deceleration. A cut in CPF contributions would help counter the trend.

All employees contribute 25 per cent of their salaries or wages to the CPF, and employers pay in the same. While the overall effect is to make Singaporeans among the world's biggest savers, a cut in CPF contributions could, at a stroke, put more disposable cash in workers' pockets and reduce employers' costs.

Dr Tan did not spell out what sort of cut he had in mind and was typically cautious in his proposal. He said a "temporary reduction" in CPF contributions would "not be inappropriate" to combat the dampening effect of Singapore's high savings rate. "The extent and duration of the reduction can be settled once the principle has been accepted," he added.

Although Dr Tan said he was only giving his own view, coverage of his speech and reaction to it by the local Press and broadcast media suggests that the ground is being carefully prepared for change.

Apart from Mr Go Chok Tong, who said quickly the Government was prepared to re-examine its position on the CPF, Mr Sinnathamby Rajaratnam, an "old guard" leader who is a Minister in the Prime Minister's office, said at the weekend that a change was necessary to preserve jobs. Other ministers, employers and trade unionists have also voiced approval.

Sudan calls first poll in 20 years

By John Murray Brown in Khartoum

SUDAN'S military leaders yesterday announced that the country's first general election in nearly 20 years would begin on April 1 and last for 12 days.

The main political parties expected to contest the election are the Democratic Unionists and Ummah, while the Moslem Brotherhood, the Communist and Ba'athist parties enjoy significant minority support.

Key issues in the campaign are expected to be the country's civil conflict in southern Sudan, and the deteriorating state of the economy.

After five months' negotiations, the Government recently rejected conditions set by the International Monetary Fund (IMF) for a loan but no alternative economic strategy *appears to have emerged*.

Apart from mounting arrears on the country's $9bn (£6.4bn) external debt, the government is behind in repayments to the Fund, totalling $230m, which if not repaid could make Sudan ineligible for IMF facilities.

The collapse of negotiations with the Fund led to the *resignation of the country's* Finance Minister, Mr Awad Abdul-Majeed. Sudan is understood to have asked the US and Saudi Arabia, already the country's two leading donors, for further economic assistance.

Relations with the two countries have been strained, however, as a result of the government's apparent rapprochement with Libya.

Aquino land seizure

A Philippine court has ordered the seizure of a 6,000-acre sugar plantation owned by the family of presidential challenger Mrs Corazon Aquino for failure "to submit to land reform." **Reuter reports from Manila.** Meanwhile, President Marcos referred at an election meeting Friday to alleged killings ordered by Mrs Aquino's late husband, Mr Benigno Aquino, and her family.

Peru in oil deal with Occidental

BY TERRY DODSWORTH IN NEW YORK

THE PERUVIAN Government and Occidental Petroleum, the Los Angeles-based oil group, have reached agreement on a package of measures which will subject the US group to a tougher tax regime, but give it *drilling access to previously* prohibited territory.

According to reports from Lima, President Alan Garcia Perez, elected only five months ago an a nationalistic platform, is at the same time planning to nationalise the smaller Oxy-Bridas company, an American-Argentine consortium. He has announced that independent auditors will be appointed to evaluate the company's assets.

Discussions between the oil companies and the Government has been going on for some time over the question of taxation. Occidental's effective tax rate on *its* Peruvian profits stands at around 41 per cent, which it says is in line with the taxation levied in neighbouring countries.

Under the new taxation structure agreed with the Government, Occidental will in future pay a rate of 68 per cent. The company has also agreed to invest around $200m in exploration, Mr Garcia said.

In return, Occidental has been given the right to continue to operate in Peru, where it is the leading oil producer, and to explore a block of 2.5m acres of jungle in the southern part of the country.

Contracts with Occidental and Belco were cancelled by the new Government at the end of August and production in the oilfields taken over by Petroperu, the national oil company. At the time of the cancellation, Occidental was producing around 85,000 barrels of oil a day but its output is believed to have dropped since to around 65,000 b/d.

Ceausescu hits at Comecon talks

BY LESLIE COLITT IN BERLIN

PRESIDENT Nicolae Ceausescu of Romania has bluntly criticised the results of the recent top-level Comecon meeting in Moscow to co-ordinate economic and technological plans for 1986 to 1990.

The Romanian leader said he was "not completely satisfied" with the outcome.

Steps to solve energy and raw materials problems had not been taken, he said. This remark reflected Romania's difficulties in obtaining enough oil and iron ore from the Soviet Union at the right price.

"Nothing was done to achieve improved co-operation in other areas," he flatly stated. *Romania frequently criticises* the Soviet Union and the US in order to stress its independent-minded foreign policy within the Warsaw Pact.

The Comecon meeting had agreed on a series of measures to speed up technological development but East European officials cast doubts on the effectiveness of such programmes imposed from the top.

Mr Ceausescu called on the Comecon countries to solve their economic problems and to achieve economical and technological successes by the year 2000.

Romania declared an emergency in its electric power sector last October and in recent years has failed to meet its ambitious industrial and agricultural targets.

The West German Red Cross *said* at the weekend that the supply of foodstuffs and other essential goods in Romania was "extremely serious" but that offers of aid from the West have been rejected.

Rationing was introduced for several basic foods a few years ago, after serious shortages developed.

Yugoslav 5-year plan approved

THE YUGOSLAV parliament has passed the next five-year development plan providing for 4 per cent annual growth rates in the economy until 1990, **Reuter reports from Belgrade.**

At a meeting yesterday it *also fixed next year's federal* budget at Dinars 1,103bn (£2.54bn), Dinars 114bn less than the amount requested by the Government.

The five-year plan foresees an average annual growth rate in industrial production of 4.5 per cent and 4 per cent in agriculture.

Imports should increase at an annual rate of 5 per cent and exports should rise by 6 per cent, according to the plan. This and the $2.1bn income expected from tourism during the five years should help Yugoslavia to build up its foreign currency reserves and meet its foreign debt burden of more than $19bn.

The plan also aims to reduce inflation, which ran at 75 per cent in the first 11 months of the year compared with 1984, and unemployment, which passed 1m this year.

The federal budget, drawn from sales taxes, import duties and contributions from Yugoslavia's republics, which have their own budgets, will be used mainly to pay for defence, development and social insurance benefits.

US accused of violating ABM treaty

THE SOVIET UNION accused the US yesterday of violating the 1972 Anti-Ballistic Missile (ABM) treaty with an underground nuclear test in the Nevada Desert, Reuter reports from Moscow.

Mr Vladimir Lomeiko, the Foreign Ministry spokesman, and Lt Gen Vladimir Starodubov, of the Defence Ministry, said yesterday's test was part of work on an ABM system under the US Strategic Defence Initiative (SDI).

They told a news conference that the 1972 treaty listed certain sites at which ABM-related nuclear tests could be conducted and these did not include the Nevada Desert.

"Everyone knows that the explosion was set off for an ICBM (intercontinental ballistic missile) defence which is part of SDI," Lt Gen Starodubov said. "If the explosion was for ABM purposes, then it should have been conducted only at designated ABM testing sites, and the Nevada site has not been designated as an ABM testing site."

The US Energy Department said the test, the 16th announced this year, had a yield between 20 and 150 kilotons.

Mr Lomeiko criticised the US for conducting the test only days before a self-imposed Soviet moratorium on nuclear explosions expires tomorrow. He refused to be drawn on whether Moscow would extend the moratorium.

The claims coincided with a statement by Tass, the official news agency, and authorised at a high level, which repeated Soviet accusations that the US had violated the ABM treaty and the 1979 Salt-2 accord, still unratified by Congress, *in other* areas.

The statement said the US deployment of a phased-array radar station in Thule, Greenland, violated an article of the ABM treaty under which such radars could be positioned only on the periphery of national territory.

The statement said the siting of US cruise and Pershing-2 missiles in Western Europe "aimed at the very basis of the Salt-2 treaty—the strategic balance between the USSR and the US fixed by its provisions."

Lt Gen Starodubov said the US had no grounds to claim that a Soviet radar station being built at Krasnoyarsk in Siberia was a missile attack warning system and thus violated the ABM treaty.

"The fact is that the radar has nothing to do with missile attack warning. Its purpose is to track space objects," he said.

AP adds: Tass also claimed that President Ronald Reagan has "maliciously distorted" the Soviet role in Afghanistan in an attempt to divert attention from his reluctance to agree to a superpower nuclear test ban.

The news service attacked Mr Reagan's comments on Afghanistan as "making use of the tension in that region to poison the international clim*ate and to justify the US* militarist course."

Mr Reagan said in his weekly radio address Saturday that Moscow had used poison gas, massive helicopter attacks against villages, and "countless tiny mines have been strewn across the countryside to maim and blind Afghan children."

Fed's bid to restrain merger boom exposes its own divisions

BY STEWART FLEMING IN WASHINGTON

CONTROVERSY OVER a US Federal Reserve Board proposal which would curb takeover activity on Wall Street is focusing increased attention on some of the speculative excesses in the current merger boom and, at the same *time, exposing divi*sions within the Fed's boardroom. Some economists fear the latter may make the central bank more vulnerable to pressures from the Reagan Administration.

The Fed has already been forced on to the defensive. Last week, it postponed implementation of the new interpretation of its rules dealing with how companies may borrow to finance stock acquisitions, after earlier announcing that it would come into effect on January 1. A final decision is now to be taken on January 8 at what promises to be one of *the liveliest public meetings of* the Fed's governors in recent years.

The Fed proposal on December 6 to tighten regulations covering so-called junk bond financing of takeovers has provoked a critical onslaught from the Administration. Important government departments, including Justice, the Treasury, *Commerce*, Labour and the Council of Economic Advisers, jointly filed a 40-page brief attacking it.

Interestingly, the individuals heading these departments have yet to identify themselves publicly with the criticism.

The proposal is not without *its supporters. An unlikely* alliance of business organisations, such as the National Associations of Manufacturers and the Business Roundtable and the American Federation of Labour and Congress of Industrial Organisations (AFL-CIO), have lined up behind the Fed. So, too, have some *powerful figures on Capitol* Hill, among them Senator Pete Domenici, chairman of the Budget Committee.

The Fed *is* proposing to apply *its* Regulation G margin requirements to the financing of certatin kinds of takeovers. The margin rules, introduced in 1934, were designed in part to dampen down the sort of stock market bubbles based on borrowed money which helped endanger the financial system during the great stock market crash in 1929.

Although the Fed's margin rules cover banks and stockbrokers, Regulation G deals with lenders other than these financial institutions. The explicit score of the proposed re-interpretation of this regulation is thus quite narrow.

By defining purchasers of low-grade junk bonds issued to finance a takeover as lenders, and by maintaining that when such takeovers are made through a "shell" company *with no assets, the loan is in* practice secured on the stock of the takeover target, the Fed is proposing to make such funding subject to its margin rules. These rules say that only 50 per cent of stock transactions can be financed with borrowed money secured on the stocks being purchased.

The effect would be to make takeover bids more difficult, particularly hostile bids for much larger companies by corporate raiders such as T. Boone Pickens whose $3.46bn bid for Unocal was one of the deals which led (the Fed would say forced) the central bank to examine whether its margin rules were applicable to such take*overs*.

The Fed itself says that the margin rules "do not appear well adapted" to dealing with what it sees as the "broader problem" posed by the biggest merger boom in US history. This boom, according to the magazine Mergers and Acquisitions, has seen some *5,000 deals worth $250bn in the* past two years.

There is no question that Mr Paul Volcker, the Fed chairman, is worried about the merger boom. The New York Fed has estimated that over this two-year period, leaving aside internally generated shareholders funds, a net $150bn of equity has been withdrawn from the *financial system. The result has* been to make a growing number of companies more dependent on borrowed money and, therefore, many of them more vulnerable to higher interest rates and recession.

This development, which has been accelerated by the merger boom, is seen by the Fed as part of a disturbing build-up in debt which is adding to the financial strains in an economy heavily dependent on foreign capital. At some point, this build-up could well limit the flexibility of the Fed's monetary policy because of the severe impact higher interest rates could have on broad sectors of the economy.

Re-interpretation of the margin rules would not have much direct impact on these broader issues. However, it could have a bigger effect than might appear likely because of the "chilling" effect it might have on dissuading potential bidders from even launching a takeover. That, indeed, is one of the argu*ments which critics in the Ad*ministration have employed to attack the ruling. They have also attacked the procedure through which the Fed has acted, saying it is vulnerable to court challenge.

In part, the attack reflects ideological opposition by Administration officials who feel that the central bank should not be interfering in the free play of market forces.

The fact that the move to curb takeovers has been launched by Mr Volcker, a man whose faith in the free markets has pragmatic not ideological roots, has helped no doubt to solidify opposition within parts of the Administration to the Fed's moves.

Moreover, Mr Volcker, does not have the full weight of the central bank board behind him. The proposal was carried by a majority of three to two. One of the seven governors was absent sick and there is a *vacancy on the board. The two* who voted against — vice-chairman Preston Martin and governor Martha Seger — are both Reagan Administration appointees.

Two more Administration appointees, Mr Wayne Angell, a Kansas farmer, banker and economist, and Mr Manual Johnson, Assistant Treasury Secretary for Economic Policy, have been nominated to join the board early in the New Year. The junk bond vote, it is argued, may thus herald the beginning of a period in which Mr Volcker will find it harder to dominate the board's deliberations and will have to be even more sensitive to the political pressures coming from outside.

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WORLD TRADE NEWS

French to help build hydrogen peroxide plant in Japan

BY PAUL BETTS IN PARIS

ELF-AQUITAINE, the French state-controlled oil group, and L'Air Liquide, the leading French industrial gases group, have reached an agreement with Dai Nippon of Japan to build a hydrogen peroxide plant in Japan.

The venture is expected to involve an investment of $50m (£35m). The new plant is due on stream at the end of next year and is expected to produce at full capacity about 20,000 tonnes of hydrogen peroxide a year. Hydrogen peroxide is used as a bleach in the pulp and textile industries as well as for the treatment of water and uranium.

L'Air Liquide already has a long presence in the Japanese market. As for the state-controlled Elf oil group, it will participate in the joint venture through Atochem chemicals, a subsidiary formed after the oil group was given a leading role by the French Socialist government for the country's chemical industry reorganisation programme.

Elf is expected to follow up the hydrogen peroxide venture with another joint venture with a Japanese group in heavy chemicals. Mr Michael Pecquer, the chairman of Elf, recently disclosed that Elf was seeking to develop its business with Japan, which already accounts for between FFr 4bn-FFr 5bn (£363m-£454m) of Elf annual sales, through industrial joint ventures.

Elf has already been involved in Japanese joint ventures in oil and gas production and in pharmaceuticals. It recently formed a joint venture with the nationalised French Pechiney aluminium group and Toray of Japan to manufacture carbon fibres in France.

The French oil company is also hoping to forge closer ties with Japan to develop its large offshore gas field in the Gulf of Bonaparte off north-west Australia by the early 1990s.

Imports of natural gas increase by 9.5%

BY FRANCIS GHILÈS

FRENCH imports of natural gas increased by 9.5 per cent during the first nine months of 1985 to 18bn cubic metres. Natural gas supplied by the Soviet Union accounted for 22.7 per cent of the total, up from 16 per cent last year and 12.4 per cent in 1983.

Imports from Algeria declined by 8 per cent and accounted for 26.2 per cent of the total as against 28.3 per cent last year. Gaz de France is expected to import 7.5bn cubic metres of gas from Algeria this year, 82 per cent of what it had initially contracted to buy.

This shift underlines the attractiveness of the cheaper Soviet gas. Meanwhile Sonatrach, the Algerian state oil and gas monopoly is facing difficult negotiations with the Belgian Distrigaz company, and early next year with Italy's Ente Nazionale Idrocarburi (ENI) both of which are pressing for lower prices.

Algerian gas currently costs ENI about 18 per cent more than what it pays for Soviet gas

Manila delays trade plan

THE Philippine Government will delay for two months the launching of the final stage of an import liberalisation programme which will cut import duties to an average 28 per cent from 48 per cent, Prime Minister Cesar Virata said, Reuter reports from Manila.

The scheme, originally due to start next month, was being deferred to enable domestic industries to adjust to a liberalised policy. But businessmen, who have been seeking a one-year suspension, said that two months would not give industries sufficient time to become competitive in the world market.

Angola's oil output nears record

By Michael Holman, recently in Luanda

ANGOLA'S oil production is approaching a record 300,000 barrels a day (b/d) and could reach 500,000 b/d in 1990, Mr Herminio Escorcio, director-general of Sonongol, the country's state-owned oil company, has disclosed.

In interviews in Luanda, Mr Escorcio and company officials provided a breakdown of production which has pushed Angola into second place after Nigeria among West African oil exporters.

Oil will earn the country nearly $2.5bn (£1.7bn) in 1985, accounting for over 90 per cent of foreign exchange earnings, said Mr Escorcio.

Nearly 70 per cent of output comes from the northern enclave of Cabinda, where the Cabinda Gulf Oil Company, a division of Chevron of the U.S., operates an offshore concession in association with Sonongal. Current output from Cabinda is 190,000 b/d, shared 51 per cent by Sonongol and 49 per cent by Cabinda Gulf, says Sonongol officials.

A further 45,000 b/d is produced from the offshore block 3, 8,000 b/d from block 2 and 35,000 b/d from onshore operations, making a total in early December of 278,000 b/d. The daily average for 1985 is expected to reach 245,000 b/d, up on the 1984 average of 230,000.

"There is a good chance," said a Sonongol official, "that Cabinda output can reach 200,000 b/d by the end of the year."

Recoverable reserves are put at 1.8bn barrels, according to Sonongol.

Commercial production in Angola first began in the late 1950s. Sonongol was formed in 1976, a year after Angola's independence from Portugal, and a petroleum law in 1978 gave the company a 51 per cent share in all exploration and production ventures. Unlike Nigeria, Angola decided not to join Opec: "We need to be free of quotas," said Mr Escorcio.

Investment in the country's oil sector over the next five years is expected to exceed $1bn.

UK to provide Bangladesh with £50m in project aid

BY FRANK GRAY IN LONDON

BRITAIN is to provide Bangladesh with £50m ($71m) in project aid to finance activities including natural gas development, bridge construction and population and health control.

The aid will be provided under the umbrella of multilateral aid programmes, such as a $200m aid provision by the International Development Agency, the soft loan arm of the World Bank, with participation from other individual Western loan agencies and with the possible involvement of the Asian Development Bank.

The British segment of the aid, provided by the Overseas Development Administration (ODA), will be untied, but it will assist British companies providing goods and services to Bangladesh, which is, after India, the largest recipient of British aid abroad.

The ODA said that the amount agreed exceeded by £10m a pledge by Britain at an aid donors meeting in Paris last May. Britain's aid to Bangladesh in 1984 was worth £36m and this year is expected to exceed £40m. Its aid to India last year was worth £146.5m.

The bulk of British aid to Bangladesh since 1971 has been devoted to the energy sector. In recent years this has supported the provision by GEC of gas and steam turbine equipment to the Ashuganj power plant project and engineering consultancy by Ewbank Preece to the Bangladesh Power Development Board.

Earlier this year, Hawker Siddeley, Pirelli UK and Eve Construction were awarded £13m in contracts to supply equipment and infrastructure to the country's power distribution network.

Under the new provision £25m will support the reorganisation of Petro Bangla, the oil and gas implementing agency, and oil and gas development projects under that agency's plans.

A further £11m will be used to build five large bridges and support the rehabilitation of numerous smaller bridges. About £8m will be allocated to population control and family housing projects.

This tranche, to be increased by similar aid provided by eight other foreign donors, is dependent on the completion by the Bangladesh Government of a study, now under way, on an issue of extreme sensitivity within the country.

A total of £3m is allocated to the supply of flat bottom boats for transporting goods.

The ODA says that a £5.2m blended credits plan under its aid and trade provision is currently near finalisation and could lead to the supply by Hawker Siddeley of gas turbine equipment to Bangladesh.

EXPORT SALES of Austin Rover cars jumped by 15 per cent this year to reach 104,000, the first time that overseas sales of built-up cars from Britain have exceeded 100,000 since 1979, the company announced yesterday.

Austin Rover, Britain's biggest car maker and the country's only remaining volume exporter of built-up cars, sold cars worth £300m ($426m) to more than 50 countries, with the bulk going to the company's seven main continental European markets. Last year overseas sales totalled 90,100.

Registrations in the seven main West European markets were up 13 per cent at 89,000, compared with 78,600 in 1984.

SHIPPING REPORT

Tanker owners more optimistic

BY ANDREW FISHER, SHIPPING CORRESPONDENT

WITH CHRISTMAS falling in the middle of the week, it was a slack time on world shipping markets. Shipowners had mostly chartered available tonnage and the few deals carried out had little impact on the market.

But for tanker owners, at least, the run-up to the festive season brought a good deal more optimism than has been seen over the past few years, after the sharp pick-up in freight rates.

E. A. Gibson Shipbrokers of London said the tanker market was closing the year "on the highest note for some time." Trade from the Gulf was encouraging up to Christmas, though owners had been tempted to accept slightly lower rates to have their vessels fixed over the holiday.

Gibson also reckoned the high volume of tonnage now laid up had reached such a level of deterioration that "it would be virtually impossible to find the necessary market conditions to reactivate it economically

The figures for laid-up shipping have fallen in recent months, with Lloyd's monthly list of laid up vessels showing that 1,212 vessels of 54.3m deadweight tonnes were idle against 1,242 of 58.4m dwt in November, mostly in tankers.

AP-DJ reports from Peking: China will impose new port fees beginning January 1 on all cargo passing through its 26 major ports, Xinhua News Agency said.

It quoted Huang Zhendong, Vice-Minister of Communications, as saying the fees will average 2 yuan (about 62 US cents) a ton

World Economic Indicators

FOREIGN EXCHANGE RESERVES (US$m)

	Oct. 85	Sept. 85	Aug. 85	Oct. 84
US	11,798	8,671	7,894	6,317
UK	10,399	8,186	8,137	6,798
W. Germany	35,741	37,556	36,870	35,957
Japan	21,957	23,106	24,106	21,712
Italy	17,027	18,410	19,203	18,734
Belgium	3,614	3,800	3,843	3,905
Netherlands	8,583	8,933	8,436	8,121
France	21,000	20,536	21,547	20,278

Source: IMF

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Stockholm: Editorial c/o Svenska Dagbladet, Raalambsvagen 7, S-Stockholm. Telex: 17603. Tel: 08-50 60 88.

Sydney: Editorial PO Box 182, Spit Junction, Sydney. Tel: 02-20924.

Tel Aviv: Editorial 10 Bar Giora Street, Tel Aviv. Telex: 341130/341619/33779. Tel: 03-286 672.

Tokyo: Editorial 8th Floor, Nikon Keizai Shimbun Building, 1-9-5 Otemachi, Chiyoda-ku, Tokyo. Fax: 245 0358. Tel: 03-241 2920/2959. Advertising Kasahara Building, 1-6-10 Uchikanda, Chiyoda-ku, Tokyo. Telex: J27104. Tel: 03-295 4050.

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UK NEWS

Labour set for 'crucial' revision of policies

BY JOHN LLOYD, INDUSTRIAL EDITOR

LABOUR PARTY and union leaders are set to agree a substantial revision in party policy on labour law, incomes policy and nationalisation in the coming year.

Mr Neil Kinnock, the Labour leader, believes that agreement by the union leaders to policy proposals to be pressed by him and his senior colleagues in the Shadow Cabinet in the months ahead is crucial for electoral success and for sustaining any Labour government that might be formed after the next general election.

The main lines of what the two sides of the Labour movement will attempt to agree before their conferences in the autumn of 1986 have already been set out by an "inner Cabinet" composed of the Shadow Cabinet members for the economic departments and senior union leaders.

The group includes, for the party, Mr Kinnock; Mr Roy Hattersley, Labour's economic spokesman and deputy leader; Mr John Smith, trade and industry spokesman; and Mr John Prescott, employment spokesman. The union leaders include Mr David Basnett of the General and Municipal Workers' Union; Mr Ron Todd of the transport workers; Mr Clive Jenkins of the white-collar union ASTMS; Mr Rodney Bickerstaffe of the public employees; and Mr Norman Willis, general secretary of the Trades Union Congress (TUC).

Mr Kinnock has already let it be known to a number of union leaders that the party intends to push ahead with a programme of employment regeneration as its first priority on assuming government. He has told them that agreement in the TUC-Labour Party liaison committee on the ways of achieving jobs growth would greatly assist such a programme – but that lack of agreement would not deflect the party in government from going ahead.

The Labour leader yesterday repeated his view that any programme of taking back into public ownership those state assets which have been privatised "cannot take priority when we will have a nation requiring emergency attention to its crisis of under-investment, under-employment, unemployment and under-production."

Mr Kinnock said those large institutions which held shares of privatised companies, such as BT, would have them renationalised without speculative gain, or even without allowance being made for inflation between purchase and renationalisation.

He appeared to draw a distinction between large institutional shareholders and workers in the privatised industries who had bought and held shares. "I do not think anybody would be interested in changing the structure of ownership as far as they are concerned," he said.

Those comments, while a restatement of party policy, will cause some dismay on the right of the party and the unions. Leading figures there are becoming increasingly concerned that the policy of "no speculative gain" is one that will open the party to easy attack at election time and bring little advantage.

It is expected that the liaison committee will see sharp debate on the issue when the unions' consultative exercise on attitudes to public ownership is reported to the committee in the spring.

Regarded as equally important is the shape of labour legislation to be brought in by a future Labour government. The party's spokesmen, led by Mr Kinnock, have already agreed that it should incorporate in law many of the features of the 1984 Trade Union Act, which prescribes ballots on the election of union executives, the calling of strikes and the maintenance of political funds. Many union leaders, however, remain unreconciled to the legislation.

A series of papers and conferences in the early part of the coming year will map out the terrain on which the battle will be fought. Behind all the skirmishing lies the belief on the part of Labour leaders that they must be seen to be taking the initiative with the unions, and that their programme for government – which places most weight on job creation – must not be deflected by unions' wage demands or by calls to return to a 1970s legislative framework, or to vast commitments to renationalise.

Murdoch papers will use new print site

By Our Industrial Editor

MR RUPERT MURDOCH, chairman of News International, said last night that his new printing plant at Wapping, in East London, would be "brought into a state of operational readiness" both to print his group's proposed new London evening newspaper, The Post, and to "meet the urgent requirements of other group newspapers".

The statement marks the first time in lengthy and progressively embittered talks with the print unions on an agreement for the Wapping site that News International has admitted that the site will be used to print titles other than The Post. Other titles in the group are The Sun, The Times, News of the World and the Sunday Times.

Mr Murdoch also said that the group's plant in Glasgow, closed for the past six years, should be "commissioned at once." Speculation has built up that the Glasgow plant will be used to print a Scottish edition of The Sun – something the print unions have always refused.

Mr Murdoch said that the talks, which had a Christmas deadline, were now at an end and that plans to launch The Post on March 17 would go ahead without an agreement.

He said talks had foundered on union opposition to four key issues – a legally binding agreement, a no-strike deal, a ban on closed shops and the enshrining of management's right to manage.

Mr Chris Robbins, London district secretary for the print union Sogat '82, said last night: "The admission that the plant will be used for newspapers other than The Post will sharpen the minds of those of our members in News International who thought that the Wapping plant did not affect them. We do not accept that negotiations are at an end."

Sinn Fein sees 18 arrests as start of crackdown on party

BY HUGH CARNEGY

THE ARREST and detention of 18 Sinn Fein members in Ulster at the weekend is unlikely to be raised in the new Anglo-Irish Intergovernmental Conference unless Irish ministers become convinced that it is part of a propaganda exercise.

Sinn Fein portrayed the arrests as the start of a crackdown on the organisation which Mr Gerry Adams, party leader, predicted would follow November's Anglo-Irish agreement on Northern Ireland. The party and the IRA are opposed to the deal.

There were indications yesterday that nationalist leaders north and south of the border would welcome the operation against the political wing of the IRA if it turned out to have been soundly based on evidence sufficient to secure convictions for terrorist offences.

At the moment, the Dublin Government appears ready to accept that the arrests, of which it had no advance warning, were entirely the work of the Royal Ulster Constabulary, without government intervention.

The recent spate of bombings of RUC stations in the west of the province, and the arrest just before Christmas of Mr Owen Carron, a former Sinn Fein MP, on charges of possessing a rifle and documents likely to be of use to terrorists, had led many in the nationalist community as well as the unionist community to expect some move by the security forces.

In Dublin yesterday, officials gave a warning that the move against Sinn Fein could prove counter-productive if police were unable to bring charges against the detainees. It would, they suggested, hand Sinn Fein a grievance useful for propaganda in the province's by-elections on January 23.

Dublin ministers are waiting to see the results of the operation before commenting, and appear content, for the moment, that there was no consultation.

Those detained in a province-wide series of early morning raids included Mr Martin McGuinness, Sinn Fein vice president and an elected member of the Northern Ireland assembly, and a number of local councillors.

The Royal Ulster Constabulary (RUC) said they were being questioned "in relation to serious crimes." Under the Emergency Powers Act they can be held for up to seven days without charge.

By last night only one of the group had been charged. He was Mr Seamus Cassidy, a councillor in Dungannon, County Tyrone, who was remanded in custody yesterday accused of possessing explosives.

Mr Tom Hartley, a senior Sinn Fein member, said the arrests were meant as a "sop to loyalists" opposed to the Anglo-Irish accord and were designed to disrupt Sinn Fein's campaign for the forthcoming by-elections in 15 Unionist-held seats.

Sinn Fein's rival for the nationalist vote, the Social Democratic and Labour Party (SDLP), is concerned that the arrests could have the backlash effect on consolidating Sinn Fein support. Mr Seamus Mallon, deputy leader of the SDLP, said he hoped the move was not linked to the elections. "That would be very negative. It would simply give them a propaganda weapon," he said.

The Government has been under pressure for some time from Unionists to take action against Sinn Fein, which loyalists accuse of working closely with the IRA. The arrests, which followed a wave of attacks on RUC rural outposts in December in which two constables were killed, have brought renewed demands for action from Unionist politicians.

'Majority shop on Sundays' says poll

By David Churchill, Consumer Affairs Correspondent

ALMOST TWO THIRDS of people in England and Wales already shop on a Sunday in areas where retailers are defying the law, the National Consumer Council claims today.

According to an opinion poll carried out by Mori, 61 per cent of consumers in England and Wales do some sort of shopping on a Sunday. Just over a quarter (26 per cent) shop in newsagents or off-licences (drinks retailers) but more than a third (35 per cent) shop in other retail outlets. The survey did not apply to Scotland because retailers are already able to open lawfully for trade on a Sunday.

The council's poll has been published as part of the intensive battle taking place to influence MPs before the House of Commons debate in the spring on abolishing all restrictions on shop opening hours.

Mr Michael Montague, the council's chairman, said yesterday: "I hope MPs will bear the results of this poll in mind when they vote on the Government's bill. The vociferous minority, representing special interests, who oppose reform are trying to impose new restrictions on Sunday trading to put the clock back."

The poll shows that among the most popular forms of Sunday shopping are the purchase of home improvement and gardening materials. More than half those surveyed also said they would be likely to buy food items to top-up their general food purchases. More than a third of the 1,800 people questioned said they would also like to be able to make large purchases for the home or to buy clothes on a Sunday.

Young people are the ones most likely to shop on Sundays, according to the poll. Some 76 per cent of those aged 15 to 34 say that they shopped on Sundays.

Fraser buys specialist retailers

BY TERRY GARRETT

HOUSE OF FRASER, the stores group, has agreed to buy two specialist London retailers, Turnbull & Asser and Kurt Geiger, in separate deals worth more than £20m.

They are the first acquisitions by the Fraser retail chain, which is headed by the Knightsbridge Harrods store, since the Al-Fayed brothers bought control for £615m in March this year.

Turnbull & Asser is a 100-year-old bespoke outfitters based in Jermyn Street. It has been regularly favoured by royalty and both Prince Charles and Prince Andrew are among its customers.

Kurt Geiger retails women's fashion shoes and leather accessories. It is based in New Bond Street and has a small chain of shops within stores, including Harrods, selling its Bruno Magli range of fashion goods.

The two companies are expected to join the Fraser group early in the new year.

Mr Ernest Sharp, a House of Fraser director, said yesterday "These are two good businesses which fit in well with Fraser". He said that other acquisitions were possible but the company was not looking at other businesses at the moment.

House of Fraser has already forecast a record profit for the present year. In September the group reported an 86 per cent profits improvement for the traditionally quiet first half up to the end of July, with £13.85m pre-tax.

It said it was looking forward to a good winter season and was confident of beating the previous year's £48.16m profit.

British Gas loses remaining interest in Wytch Farm oil

BY DOMINIC LAWSON

BRITISH GAS Corporation has lost the battle to take its remaining interest in the Wytch Farm oilfield into the private sector.

The corporation sold its half share in Wytch Farm, Europe's largest onshore oilfield, to a consortium of five independent oil companies known as the Dorset Bidding Group (DBG) for £215m in May 1984. The sale, ordered by the Government, also provided that British Gas would retain a 40 per cent share in the profits from its stake once the DBG's costs had been recovered.

Oil analysts estimate that the British Gas overriding interest would bring in post-tax income of about £450m spread over about 15 years. The cashflow would have been extremely valuable in funding British Gas's future exploration programme in the private sector both onshore and offshore. British Gas has the widest spread of UK onshore acreage after BP, Shell and Trafalgar House.

Had British Gas remained in the public sector it had been intended that the corporation would monitor the progress of the Wytch Farm development and pass the money attributable to its net 20 per cent interest to the Oil Taxation Office.

British Gas was made to dispose of its direct interest in Wytch Farm because the Government believed that the corporation should not be in the oil business, which was best left to the private sector.

British Gas will be returning to the oil exploration and production business after privatisation. It was, therefore, hoping that the Government would allow it to retain the Wytch Farm income. The Government has decided, however, to strip the interest out of the corporation and transfer it directly to the Oil Taxation Office, which will monitor the field's development, a task previously assigned to British Gas.

British Gas, which spent £100m last year on drilling in UK waters, is hoping to expand its oil and gas exploration effort after privatisation, possibly involving the acquisition of private sector oil companies.

A cash acquisition of oil and gas interests by British Gas before it enters the private sector cannot be entirely ruled out. The corporation is likely to be looking at companies or assets with existing North Sea oil production. Its own oil production was removed by the earlier privatisation of Enterprise Oil.

British Gas has never explored outside UK and Ireland, but it is likely to make application for acreage in the forthcoming Dutch oil and gas licensing round.

British Gas has high hopes of beginning the first oil or gas field development in the Channel between England and France. Last year it found gas in Block 98/11 off the Dorset coast. It is believed that the block contains several other promising geological formations which the corporation intends to drill shortly.

Government to pinpoint areas for urgent inner-city aid

BRITAIN'S WORST areas of inner-city decline and deprivation are to be defined by the Government in a new tier of areas for special attention and financial assistance, **Robin Pauley writes.**

The areas will be very closely defined geographically to enable a programme to be aimed exactly at the worst blackspots.

References simply to Handsworth in Birmingham, Brixton in south London and Toxteth in Liverpool – all scenes of inner-city rioting – will be regarded by ministers as being too vague, because each district is large and contains areas of relative prosperity.

Ministers considering future inner-city policy in a Cabinet committee chaired by Lord Whitelaw, Deputy Prime Minister, have decided that the problem areas must now be clearly identified, almost by street name, such as "the area bounded by streets X and Y to east and west, railway line A to the north and shopping precinct B to the south."

There are at present three tiers of deprived areas that receive extra government cash for projects through the Urban Programme. There are 16 "designated districts," which receive limited levels of assistance for economic regeneration projects. Then there are 23 programme authorities where the inner-city difficulties are more serious.

Finally, there are the seven partnership authorities judged to have the country's most serious urban collapse: Liverpool, Manchester-Salford, Birmingham, Newcastle-Gateshead, Hackney, Islington and Lambeth (the last three in London).

Those are entire local-authority areas and it is in addition to them that the Cabinet committee wants to put a new tier of closely defined areas for help. There might be up to 15 because some partnership authorities might contain more than one "devastated" area, and other blackspots, such as the worst parts of Leeds, Bristol and Bradford, might also be included.

The present tiers of deprived areas have received a total of £338m a year in 1984-85 and 1985-86, a cut in real terms of 12 per cent since 1983. In October, a further £15m was channelled out of Environment Department resources into the year's programme for capital projects.

The public-expenditure White Paper (policy document) shows the special funds for the Urban Programme falling again in 1986-87 to £317m. The next public-expenditure White Paper, due in about a fortnight, will confirm that figure. In the autumn, Mr Kenneth Baker, Environment Secretary, and Mr Nigel Lawson, the Chancellor of the Exchequer, struck a deal by which the existing cuts would be left in the White Paper, on the understanding that more cash might be available once Lord Whitelaw's committee finished its study.

That means that if the Cabinet accepts the idea of the new tier of deprived areas, they might qualify for additional cash rather than for cash diverted from existing plans.

The committee has abandoned consideration of the idea of bypassing local authorities and establishing groups to administer the funding of the inner cities on the lines of urban development corporations in London and Liverpool.

There are no areas large enough to warrant the political row that would ensue over the loss of democratic accountability, and ministers have agreed that, as the local councils already exist, they might as well be used as the principal agency.

Ideas for establishing wider groups, based on the local authority, to take in a wider cross-section of the urban community including the private sector, are also being considered.

Ministers are also trying to find a way to organise better control and co-ordination of urban funding and special inner-city projects. The attempt to achieve better co-ordination by setting up City Action Teams of civil servants earlier this year has proved a failure and ministers now accept that the lead may have to be political rather than administrative.

CONTRACTS

Asda store in Preston

RUSH & TOMPKINS has won £5.25m worth of contracts since business was acquired from the receiver of Cartwright Construction in June. The largest is a £3.69m contract with Associated Dairies for a 9,000 sq m (100,000 sq ft) Asda supermarket at Fulwood in Preston, Lancashire. Work has started on the 40-week project and completion is scheduled for August next year. The building is a steel-frame structure with brick/block walls, tiled roof and terazzo tiled sales floor. A 5,600 sq m black top car park is included in the contract together with a 35 m long access road.

A further £425,000 contract has been won with Allied Carpets for retail warehousing at Canklow Meadows Industrial Estate in Rotherham. This brings R & T's total work in hand on the site to nearly £950,000.

The first £520,000 phase, due to be completed later this month, is for a 1,680 sq m retail warehouse for occupation by Allied together with a 3,000 sq m car park and service yard. The building is steel frame with brick/block walls to 3 m height with the remainder metal clad. Phase Two is for two further retail units of 900 sq m and 700 sq m. These will adjoin the first phase and are of similar construction. Work has started, for completion in April next year.

Other contracts include a £311,000 housing repair scheme for Kirklees Metropolitan Borough Council; a £135,000 store alteration in Bradford for Yorkshire Electricity Board; a £75,000 rooftop communications structure in Sheffield for Mercury Communications and a £35,000 alteration to a public house in Leeds for Tetleys Brewery.

CONSTRUCTION

Portsmouth marina complex

ARLINGTON SECURITIES' Port Solent project, a £50m marina and commercial development at Portsmouth's north harbour, is to proceed following an agreement with Portsmouth City Council. Construction will start shortly and it is expected that the total development will take some five to seven years to complete. Surrounding the 500 berth marina, there will be some 430 houses, to be built by HIGGS & HILL HOMES, and an 80,000 sq ft office block is to be developed by CAPITAL & COUNTIES in association with Arlington. There will also be a local shopping centre including wine bars and restaurants, 170 apartments, and units for marine-oriented industry.

Arlington expects that Port Solent will become a tourist attraction for the city as well as a conventional marina complex. The scheme will provide a number of new jobs both during construction and in the various commercial activities.

Mr Gavin MacEchern, Arlington's director responsible for the project, said: "Naturally, we are excited about this project, in particular because we feel Hampshire has enormous growth prospects, with a quality of environment that is hard to beat. The excellent communications — improved since the completion of the M27 and the opening of the M3 extension — put London Heathrow and Gatwick within easy reach." Referring to timing for the project, Mr MacEchern said "It will be two years before the marina is flooded and the first houses ready for occupation, and several more before the whole project is completed. It must be remembered that we are creating an overall residential and commercial community, rather than just a marina."

Road works for Tilbury

TILBURY GROUP has won orders worth more than £4m with over £2m of this coming from the roadstone division. Black-top work has started on the 3 km stretch of the new A406 from the Redbridge interchange to Ilford Viaduct. This contract, worth £1.6m, comes from Taylor Woodrow as part of the South Woodford to Barking relief road and is expected to be completed early in 1988. Tilbury Roadstone will also be starting work on black-topping 3 km of the new A130 from Chelmsford to Nabbott's Farm. Worth nearly £500,000, the contract comes from Cementation Construction, main contractor for the Chelmer Valley route.

Tilbury's mechanical services division has been awarded an order worth £200,000 for the renewal of heating services to 122 homes at Walham Green for the London Borough of Hammersmith. Work has started and is expected to be completed by March. Tilbury Construction's Newton Abbot office is to refurbish, renovate, and extend a fire damaged building in Plymouth to provide an education and training centre for the Royal Marines. The £610,000 contract was placed by the Property Services Agency and should take 63 weeks to complete.

Refurbishment by Wimpey

WIMPEY CONSTRUCTION UK has won contracts totalling over £2m for renovation and refurbishment of local authority housing. Ipswich Borough Council has awarded a £1.5m contract for the refurbishment of some 750 council-owned homes under phase three of a programme to modernise the houses on the Gainsborough, Priory and Racecourse estates which were built in the 1950s. The contract, due for completion in October 1986, calls for re-roofing; repointing of brickwork; window replacement; chimney stack rebuilding; and sundry works, while the tenants remain in occupation. Wimpey is nearing completion on similar works on 1,000 houses in the first two phases of the programme. A second contract, valued at nearly £600,000, has been awarded by the London Borough of Barnet for the replacement of flat roofs with pitched, on 33 two-storey blocks of terraced houses at Dollis Valley estate. The work will be carried out during 1986.

Oman palace landscaping

G. DEW & CO. has been awarded contracts at home and overseas worth £2.9m. In the Middle East the company is constructing a £200,000 jetty for Sheikh Surour at Abu Dhabi and maintenance work on the Sharjah cement workers. In Oman the company has been awarded a £730,000 palace landscaping contract. Landscape contracts include the £334,000 Madchute site for London Docklands Development Corporation, and a £190,000 improvement to the watercourse at Clipsey Brook, St Helens. The company has £500,000 of reconstruction at Milnrow and Peterborough for Ingersol Engineering, £200,000 civil works for a glass batching plant for United Glass at Harlow and the £100,000 Knott End Ferry Dock improvement at Fleetwood.

£11m relief road at Barking

The Department of the Environment and Transport has awarded **BALFOUR BEATTY CONSTRUCTION** the A406 South Woodford to Barking relief road, contract 4, valued at £11.3m. The contract is for the dualling of 1.65 km of A13 road at Barking, Essex, 0.5 km of new relief road, a viaduct crossing Barking Creek with associated approach structures, three other major bridges, five culverts, four sign gantries, one footbridge and ancillary works. The contract commences in January with a 30-month construction period.

Refrigeration plant order

Kellog-JGC-Raymond, the main contractor for the liquefied natural gas (LNG) plant on the north west shelf project, has let a contract with a value of around $70m (£48.9m) for the supply of gas turbine driven refrigerant compressors. Awarded to NUOVO PIGNONE, an Italian company, it involves the supply of four propane compressors and four mixed refrigerant compressors all with 26 MW gas turbine drivers and auxiliaries for the first two LNG production trains. The refrigerant compressors will provide the compression power needed to drive the refrigeration cycles which will liquefy natural gas at −161 deg C. The total power consumption of all the main refrigerant compressors in this contract would be sufficient to generate electricity for the entire Pilbara region. Compressors of this size are only available from a few manufacturers in the world. Neither the compressors nor the turbines are available in Australia, but the large gas turbine inlet air filters, inlet/exhaust ducting, water coolers, dc supply units, structural steelwork and associated piping will be sourced in Australia. Work on the compressors and turbines is expected to be completed by July 1987, after which they will be installed in the LNG plant on the Burrup Peninsula. The six equal participants in the LNG phase of the north west shelf project are Woodside Petroleum (through subsidiaries), BHP Petroleum Pty, BP Developments Australia, California Asiatic Oil & Co (a subsidiary of Chevron Corporation), Japan Australia LNG (MIMI) Pty (a company jointly owned by Mitsubishi Corporation and Mitsui and Co, and Shell Development (Australia) Proprietary.

UNIPOWER VEHICLES, Thames Ditton, has been awarded a $5m (£3.5m) export contract to supply a total of 14 high performance vehicles to the New Zealand Ministry of Defence. The vehicles are designed as dual-purpose fire/crash rescue trucks for operation by the New Zealand Royal Air Force in their bases. Unipower will deliver vehicles in chassis/cab form to New Zealand, the final fire fighting, pumping equipment and rear bodywork being fitted by Mills-Tui, Rotorua. The trucks are fitted with a Detroit Diesel 8V92 turbo-charged two-stroke diesel engine providing 367 kW at 2,300 rpm, driving through a General Motors Allison HT740 automatic transmission and a Unipower transfer gearbox, to take the driveto both front a rear axles. The vehicle is in permanent four-wheel drive. The transfer box incorporates a limited slip differential operating between front and rear axles. Both axles have a driver-controlled lockable differential which can be engaged while the vehicle is in motion. The drive to the fire pump is a new development by Unipower and the company believes it represents a major step forward in the technology relating to the operation of vehicle-mounted fire pumps. It is referred to as a power divider pump-drive system and is designed to provide a much higher degree of vehicle manoeuvrability during operation of the fire pump than has hitherto been available.

Longwall mining equipment

DOWTY MINING EQUIPMENT of UK has beaten 17 competitors to win a $NZ17m (£5.9m) contract for longwall mining equipment for the New Zealand state coal mines. The equipment will introduce longwall mining to New Zealand. It will be operating by May 1987. Although international competition was fierce, Dowty was judged to be technically superior for the conditions in the large Huntly mine, writes **Dai Hayward in Wellington.** Another three longwall mining units will be installed on the Huntly coal field over the next seven years.

Hong Kong rail control system

PLESSEY has won a £2m contract to design and supply the vehicle information system for the new Hong Kong Light Rail Transit System at Tuen Mun in the New Territories. The equipment, built by Plesesy Controls at Poole, will provide Hong Kong with one of the most modern systems in the world. The first phase covers 22 km, with 42 stops, in the principal housing and business areas of Tuen Mun and provides links with Yuen Long. The basis of the information network is Ident-All, a track to train communications system, which will transmit data from the light railway vehicle to loop aerials installed under the track. The driver records his route and identification numbers on a key-pad before starting a journey. As the train approaches each set of points the data is transmitted to trackside microprocessors which determine point settings for the route. Similar equipment detects the vehicle's approach to road crossings and orders traffic light action for the vehicle to proceed with minimum delay. Disruption to road traffic is minimised by fast clearance.

The identity of the vehicle at each detection point is transmitted to a central computer which compares its performance with the time-table and alerts the system controller of any sigfinificant deviation. The disposition of all 70 trains is available and the system minimises manning in the control room.

Repairing Russian pipes

A contract from the USSR to repair 6.5 miles of deteriorated waste water pipe in the city of Volgodonsk has been awarded to the **INSITUFORM GROUP,** Guernsey, which restores old pipework without excavation. The contract is valued at 3.8m Dutch guilders (about £830,000). The work will be performed by Zegwaard Insituform, a 50-50 joint venture between Insituform Group and its Dutch licensee. Zegwaard Insituform will be one of a select group of Western contracting companies permitted to undertake engineering projects in the USSR.

The process uses a flexible fibre-felt tube, impregnated with a water-curable resin and forced through existing pipes and conduits using water pressure. The water pushes the in situ tube against the walls of the old pipe and it then heated to cure the resin and create a new pipe.

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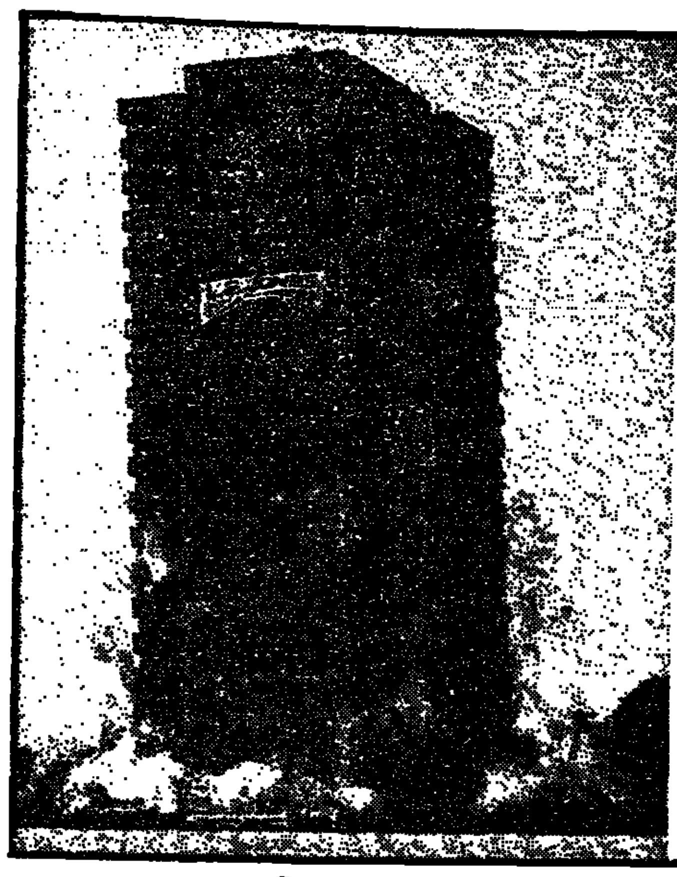
THE ARTS

Architecture/Colin Amery

Symbolising the problems of the inner city



Going . . .

. . . going . . .

. . . but not quite gone

One curiously strong image which remins in the mind at the *end of 1985 was the sight of* Northaird Point in Hackney resisting the demolition men by refusing to be blown up. The demolition contractors filled the tower block with explosives and after an impressive start it sank to its knees but the top 11 storeys refused to submit and stood there like a leaning tower, having ultimately to be demolished by the conventional ball-and-chain method.

This was just one of the towers on the Trowbridge Estate that had stood in all their concrete glory since 1956. Their resistance to destruction somehow seems to symbolise the tenacious hold of modern architecture on the inner cities and the equally tenacious conviction of architects that they still have the answers to the terrible social and physical problems of the inner city environment.

1985 was the year that the new President of the Royal Institute of British Architects launched his term of office with a propaganda battle entitled "Decaying Britain." This was not just a cynical campaign for the profession to get more work but a serious move to let the world know the full scale of the horror and damage that the concrete decades have left in their wake. It is no joke to *learn, as we did in* 1985, that there is some £18bn of repairs needed to council housing erected since the 1950s.

1985 was also the year of a dully-titled but significant report, *Engineering Aspects of Alkali-Silicate Reaction*, which exposed the extent of concrete cancer in post-war buildings. A hospital in Devon, which is scarcely more than ten years old, will have to be demolished because of this insidious disease.

In the face of all this gloom it was hardly surprising that *after the appalling* riots in the North London suburb of Tottenham reporters solemnly announced that the Broadwater Farm housing estate had once won an architectural award. There was *subsequently* found to be no truth in this vile rumour.

There has been one character on the architectural stage who has tried to make the profes*sion* see the error of its ways and to encourage the nation to see that there are alternatives to total despondency on the architectural front. The Prince of Wales started his architectural year by visiting the housing co-ops in Macclesfield and Liverpool and then made a speech pointing out the potential the inner cities have, providing help is forthcoming from industry and professionals in a way that enables people to help themselves.

I visited Liverpool during the year and two lasting impressions remain in my mind. The first was a walk around a housing scheme that had been completed in the late 1960s. It was not high-rise. It was not made of concrete. It had pitched roofs and the flats clustered together in what must have looked a cosy fashion on the architect's drawing. I could not believe that these flats so ruined by vandalism, burning and grafitti were still inhabited.

The second equally memorable impression was of a crescent of new houses dsigned by an architect for a housing cooperative. Each house and the entire layout had been designed after extensive consultations with the occupiers. It was like reaching an oasis in a desert of bureaucratic con*tempt and incompetence. It has* also changed the way the professionals approach the problem of housing the less privileged members of urban society. As one architect rather *unwisely put it to me,* "We treat them as we would treat our commercial clients—we ask them what they want. . ."

This common sense approach has now been glorified by the name of community architecture, and there are grand committees and a real danger that the architectural profession will make the same mistakes that it made in the recent past and decide that it has all the answers. One architect developer, Rod Hackney of Macclesfield, has at least invented the idea of the architect as a professional enabler: a leader of a community group who can guide and lead the "non-experts" and help them to achieve what they want.

It seems impossible but it was only in 1985 that the Mansion House Square saga reached its final chapter, at least in its Miesian phase. Peter Palumbo was only 26 when he asked the then 76-year-old Mies van der Rohe to draw up plans for a tower in the City. That was in 1962 and the tenacity of Mr Palumbo has to be admired because it was not un*til the end of* a *three month* inquiry which began in 1984 that there was any chance of his plans being realised. The verdict of Patrick Jenkin went against the scheme and the in*spector's report by Stephen* Marks remains a model of fairness and scrupulousness. Mr Palumbo then commissioned one of Britain's leading late-modern architects, James Stirling, to produce a design which will be unveiled in the first few months of 1986 and is likely to demolish the buildings on the site but replace them by some thing that is in scale with the historic surroundings.

As a battle for the quality of the environment the Palumbo case has been much overrated. It was fighting an old battle and *the polarisation of the interested* parties did little to help the informed debate. I continue to think that as a developer Mr Palumbo is a remarkable man because he clearly believes in architecture with a capital A. He could so easily have thrown in the sponge and decided to go for an architect who would simply erect a building that would produce the desired financial return.

Earlier in 1985 another planning and patronage shambles was resolved by what seemed to be a *deus ex machina* in the shape of the three Sainsbury brothers. They generously decided to offer the National Gallery a donation to allow it *to build a new wing on the* Hampton site. This time the gift would allow the National Gallery to build on the entire site without any form of financing commercial development. It was the merciful end of the Ahrends Burton and Koralek "carbuncle" and an amazing opportunity to start afresh. No one can doubt the assiduity with which the National Gallery Trustees, with their new donors and the energetic Jacob Rothschild in the chair, have searched the world for a new architect. Their short-list was announced *in October and the initial pro*posals will soon be examined. The architectural importance of this decision should not be underestimated; the timing of the gift makes it possible to re-establish the public building as a flagship of taste and an example to the world.

Trafalgar Square seems certain to remain in the public eye in 1986 as the results of the competition promoted so successfully by Land Securities for the Grand Buildings site are awaited. Nine architects are working away and they seem to have been chosen as representatives of the whole architectural spectrum.

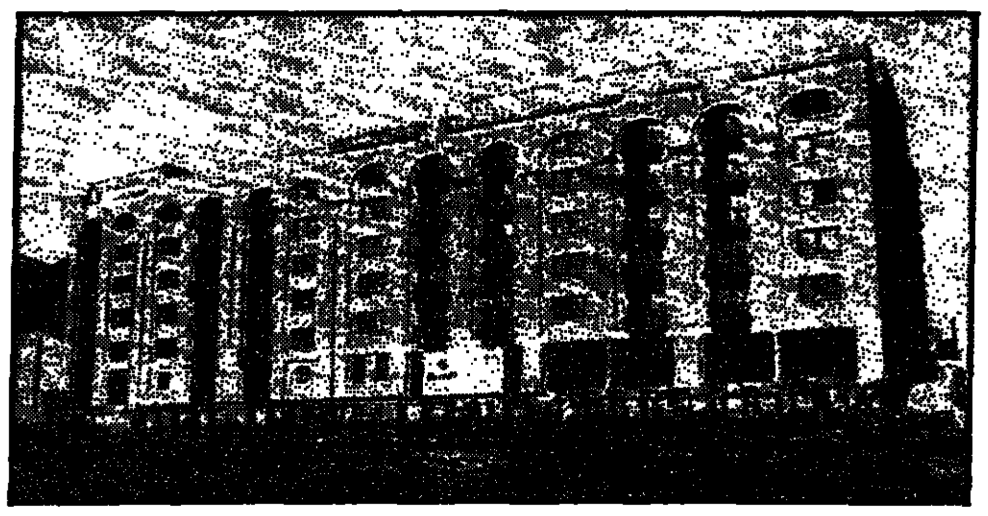
I have a distinct impression *that the conservationist* lobby has run out of steam during the past year. It still makes a lot of noise but is not having the success that it should. The Thirties Society has won a small victory with the preservation of some of the elegant old telephone boxes but it is not doing too well with 1930s country houses or with the kind of conversion of the public mind that the Victorian Society achieved so easily in its early days. There have been a great many costume balls but the loss of Bradmore House and the *terrible danger of grim pastiche* in Bath suggests that some of the energy may be misplaced.

It is quite extraordinary that the four main amenity societies do not have an accurate computer record of cases that are imminent or any kind of national system of collaboration that works ahead of development instead of crying in its wake.

The spirit of amateurism has its disadvantages. The recent SAVE Britain's Heritage report *on the dangerous condition of* the Georgian fabric in the capital is a timely reminder that conservation should be as well organised as development. The rise and rise of the Build*ing Preservation Trusts* is a healthy sign that ownership is the only way to ensure preservation.

The spirit of Thatcherite enterprise continued to operate throughout the year but in the Enterprise Zones themselves it did not produce very happy architectural results. London Docklands has achieved a measure of success but the scale of the redevelopment and the lack of any urban plan has meant that the place looks like a mediocre New Town. One bright American developer, a Mr G. Ware Travelstead, saw the potential of the enterprise zone for office development for American banking interests. His scheme for Canary Wharf *set a lot of feathers fluttering* because of its scale—three giant towers opposite the Royal Naval College at Greenwich. He has the right idea that it is time to build big in Dockland but he will have to ensure that he produces some really beautiful buildings and a plan on the ground that is more than just a rehash of the sort of draughty 1960s plaza-look with a fierce micro-climate.

One consistent theme that runs through the whole year, and indeed has run through so many years, is the deleterious effect of our over-complex planning legislation on architectural matters. Long delays are frequently caused by niggling matters of aesthetic control and the public inquiry *has become* little more than a field day for a few planning lawyers.



Gun Wharf in Wapping, converted into residential apartments

Ralph Kirshbaum/Wigmore Hall

Dominic Gill

The last of the year's Wigmore Hall Master Concerts, and one of the last of this tercentenary year's tributes to J. S. Bach, was given on Saturday night by the American cellist Ralph Kirschbaum, who played three of the six solo Suites.

A detailed comparison of Kirshbaum's performances with those of Misha Maisky, who also played three Bach cello Suites at a Wigmore recital a few weeks ago, would be a fascinating exercise: both recitals were very fine, broadly similar in approach, utterly different in effect—living illustrations of the enormous breadth of subtle interpretative freedom which the relatively confined and austere single melodic thread of the Suites allows.

Technically, Kirshbaum's delivery was a shade less polished than Maisky's, but no less interesting and perceptive in its command of the music. Occasionally I found the little sobs and dynamic surges with which Kirshbaum rather liberally coloured his readings, especially in the faster numbers, too predictable—and not closely enough linked to the sense of the phrasing (which was itself impeccably smooth and cogent). But that is ultimately a matter of taste. Some may prefer more broadly flowing, slightly less "expressively" cluttered interpretations than Kirshbaum's: others will relish the spirit of his playing, and its exceptionally *close focus*.

Injecting such a degree of high-intensity light and shade into the textures of the third Suite's Allemande and Courante tended, I thought, to blunt the effect of the dramatic Prelude which preceded it—and might have lessened the effect of the Sarabande which follows, if Kirshbaum had not played that *great movement* with such *self-*communing intensity (he added an extra repeat, which was unshapely, but in terms of musical pleasure worth every note). Not all of the superhuman difficulties of the sixth Suite were perfectly overcome: it's a rare cellist in any case who has no intonation problems at all with those fiendish A-string figurations in the Prelude. But the spirit of the performance was keen, and its detail drawn by and large with unusual finesse. The clear, brilliant tone of Kirshbaum's Montagnana cello (once owned by Piatti) was a consistent delight.

Jerry's Girls/New York

Frank Lipsius

While one of Jerry Herman's musicals, *Le Cage aux Folles*, plays at the Palace one end of Broadway a revue of his songs, *Jerry's Girls*, plays at the St James at the other. He should have let well enough alone.

The show originated as a simple revue four years ago at a New York cabaret and then successfully toured America in large provincial houses with Carol Channing among the three leads in the all-female cast.

To some, the idea seems a way to revive Herman's best-known song, "Hello, Dolly!" in another setting, but the show, to its credit, treats the number self-consciously. First it is done by Dorothy Loudon as a cocktail pianist bored with yet another request for it, followed by two adaptations of the song, one for a much-televised meat commercial ("Hello Deli") and the other from the 1964 presidential campaign, "Hello, Lyndon." In the finale of Act I it is belted out by the three leads, each of whom thinks of herself *as* the only *Dolly*, a *sign* of the awkwardness the show faces because of Herman's thin repertory.

Before *La Cage* the composer had not had a Broadway hit in 17 years, and though his musicals include *Milk and Honey* (1961), *Hello, Dolly!* (1964) and *Mame* (1966), the show necessarily includes songs from his flops, *Dear World* (1969), *Mack and Mabel* (1974) and *The Grand Tour* (1979). Where the ideal revue is supposed to inspire the thought, "I didn't realise he wrote *that fabulous* song" as memorable tunes follow one another in exhilarating succession, this retrospective elicits only the qualm that the hits might have been flukes.

Three talented actresses, Dorothy Loudon, Leslie Uggams and Chita Rivera, make the best of the material, *with no help from director* Larry Alford, who has a staircase wheeled onto the stage several times to signal a climactic moment rather than give variety to the settings. The campy numbers come off best, like the beachside placing of "We Need a Little Christmas Now," with the chorus lounging leggily as they sing the plaintive number from *Mame*. Wayne Cilento's otherwise listless choreography suddenly comes alive for a disco interpretation of th title song from *La Cage* with the cast dressed *as men in contrast* to the original setting of the song where the men are dressed as women.

But as the opulent and ever-changing costumes by Florence Klotz emphasise, *hiding flaws* does not eliminate them. Under the circumstances, the finale from *La Cage*, which shows off a musical with more than one song and lots of tuneful personality, is almost depressing.

Aladdin/Beck, Hayes

Antony Thorncroft

There is no traditional pantomime on offer this season for the simple reason that by a traditional panto everyone means the pantomime of their own childhood, be it 20 or 50 years ago. Instead there is a constantly evolving vehicle for *the presentation of some* historic formats and story lines.

So the *Aladdin* at Hayes is what can best be described as contemporary traditional, with enough of the familiar to re-assure *the adults, and TV stars* to excite the kids. Hayes has a reputation for making an effort with its panto and the suitability of its cast could hardly be improved on — they are mainly troupers who have achieved fame by being nice to children, plus the odd extrovert personality, such as Lorraine Chase whose legs play Aladdin.

All this *talent* is called upon to act at full throttle because the actual plot is dealt with in a rather perfunctory way, and a cost-cutting council in the *district has assured* that there is not much "hoo-ing" and "haa-ing" about the sets. The script, too, seems to have been put together at the dress rehearsal — why will not the *organisations* that *supply pantos* at Christmas pay for a few comedy writers to pep up the material?

These quibbles apart this is a jolly good show, most remarkable for the way the three principals — Colin Baker (the Dr Who of our day) and Derek Griffiths share top billing with La Chase—compete for dominance of the stage. It can be irritating when stars try and score off each other rather than play to the audience, but the trio manage to share their enjoyment with us. First Baker, *revelling* in the *freedom of* panto, has the edge as he dives into the audience he has battered with sweets and crisps; then Chase with her Cockney rhyming slang and "one of us" *appeal takes the eye; but finally* Derek Griffiths, who has the plum part of Abanazar, wins through.

He is as stroppy with the band and the script as he is with Aladdin, but the enthusiasm with which the audience changes from hissing to cheering him near the end is the measure of his assurance in panto. No one really believes he has poisoned the ice cream or let down our car tyres: indeed the lack of any frissons of terror or mystery is a minor disappointment; this really is panto *as a succession of turns. Michael* Sharvell-Martin is a fine masculine Widow Twankey.

Jack & the Beanstalk/Dartford

Malcolm Rutherford

"Why," asked my small *daughter at the interval,* "*do* they put in so much that they don't have to?" After an excessively long first act it seemed a hard question to answer, except to say "tradition." Pantomimes are largely a series of disportionate turns, loosely tied together by a familiar story. If you have a ballet school on your doorstep —like the *Rohan Dance Studio* at Sidcup—you throw that in as well. It is all too much of a jumble for a logical child.

Another answer might be that *they* are under-rehearsed and that a separate rather camp pantomime is going on among the cast as they try to get their act together. At Dartford Ronne Coyles, playing the Dame, kept collapsing into giggles for no apparent reason. Bobby Davro, as Simple Simon, seemed to be mouthing private jokes at him.

The first act ends with Jack—a *splendidly attractive*, leggy principal boy played by Caro Gurney—climbing the bean*stalk to the Giant's castle. On* such a rapacious stage, he/she should have climbed to the top and out of sight as a coup de theatre.

Act 2, however, shows what can be done when the stage is put to full use. There is a huge electronically lighted and controlled dragon that occupies most of it.

Towards the end Bobby Davro does his turn. He is a young and engaging comic and mimic who will go on developing. It is not enough, at present, to imitate the Prince of Wales simply by putting on a pair of large ears and emitting a low groan.

Davro has a remarkable hold over both the cast and the audience, which must be part of what pantomime is all about. The Orchard is a relatively new theatre whose only fault is that its interior might have been designed to go inside a hyper-modern airport.

Arts Guide

Dec 27 – Jan 2

Music

NEW YORK

New York Philharmonic (Avery Fisher Hall): Klaus Tennstedt conducting, Ute Vinzing soprano: All-Wagner programme (Tue, Thur). Lincoln Center (874 2424).

WASHINGTON

A Night in Old Vienna (Concert Hall): Alexander Schneider & Friends continue a Washington New Year's Eve Tradition with music by Schubert, Mendelssohn and Viennese waltzes (Tue 9 pm). *Kennedy Center* (254 3776).

TOKYO

Beethoven's Choral Symphony No. 9; a Japanese end-of-year musical tradition. For weekend performances, see local English daily newspapers for details.

Strauss, Vienna New Year Concerts; another Japanese institution. For details, see local English press.

LONDON

The D'Oyly Carte performing Gilbert & Sullivan's The Pirates of Penzance. Barbican Hall (Mon). (628 8891).

London Symphony Orchestra New Year Viennese Evenings. Barbican Hall (Tue, Wed). (628 8891).

Peter Frankl, piano, Gyorgy Pauk, violin, and Ralph Kirschbaum, cello. Start of Beethoven Trio cycle. Elizabeth Hall (Thur). (928 3191).

London Symphony Orchestra, conductor *James Paul, Augustin Dumay*, violin: Borodin, Tchaikovsky, Rimsky-Korsakov. Barbican Hall (Thur). (628 8891).

NETHERLANDS

Amsterdam, Nieuwe Kerk: New Year's candlelit concert with Max van Egmond, baritone; and Gustav Leonhardt and Bernard Winsemius, organ (Wed).

Rotterdam, De Doelen: Concert by the Rotterdam Opera Choir and soloists under Piet Struijk (Wed, Thur). Recital Hall, Munich Baryton Trio. Haydn (Mon). (14 29 11).

VIENNA

Vienna Philharmonic Orchestra New Year Concert conducted by Lorin Maazel. Musikverein. (Wed mat).

Hungarian National Philharmonic Orchestra and Osaka Festival Choir conducted by Kurt Rapf with Jane Marsh, soprano; Diane Elias, alto; Josef Protschka, tenor; Hans Helm, *bass. Musikverein. (Thur).*

Opera and Ballet

ITALY

Milan: Teatro alla Scala: A completely Japanese production of Puccini's Madame Butterfly, directed by Keita Asari. Scenery by Ikiro Takada and costumes by Hanee Mori. With Yasuko Hayaschi and Peter Dvorsky Pinkerton. Lorin Maazel conducts. (Fri, Tue). (80 91 26).

Rome: Teatro dell'Opera: Donizetti's Elisir d'Amore conducted by Thomas Fulton with Luciana Serra, Antonio Savastano, Simone Alaimo and Alessandro Corbelli. (Fri, Sun, Thurs) (46 17 55).

Florence: Teatro Comunale: Giselle danced alternatively by Carla Fracci with George Jancu and Sylvia Giullem with Patrick Dupond on Friday. *The Ballet Théâtre Français de Nancy* (Sat, Sun, Mon, Tues). (277 92 36).

VIENNA

Volksoper: Flotow's "Martha" conducted by *Guelke* with Szep, Bokor, Houzvicka, Laub, Jelinek (Fri); Hänsel und Gretel conducted by Richter with Martikke, Eder, Rudiferia, Schmid, Granzer, Donch (Sat, Thur); La Bohème conducted by Märzendorfer with Radek, Irosch, Dallapozza, Hellmich, Giron-May, Kainz, Doench, Ruzicka, Jeschek, Ofner-Aichfeld and the Vienna Boys Choir (Sun); Kalman's "Die Czardasfürstin" conducted by Bibl with Zsadon, Graczoll, Mottl, Schreibmayer, Wasserlof, Poppell, Nemeth, Drahosch, Jeschek, Randers, Ofner-Aichfeld, Forstner (Mon); Die Fledermaus conducted by Bauer-Theussl *with Irosch, Kales, Lowinger, Eder* (Tue, Wed). (53 24/26 57).

LONDON

Royal Festival Hall: The Festival Ballet performs their version of the Nutcracker matinee and evening from Friday onwards.

Sadler's Wells, *Rosebery Ave*: The Sadler's Wells Royal Ballet opens a season at the Wells on Tuesday with a good triple bill, repeated on Wednesday.

Royal Opera House, Covent Garden: The Royal Ballet presents its staging of The Nutcracker this week, with one performance of Giselle.

TOKYO

Min Tanaka (Butoh): One of Japan most interesting solo dancers. Plan B Performance Space, Nakano (Mon, Tue) followed by traditional Japanese new year celebrations to which the audience is invited (384 2051).

NEW YORK

New York City Ballet (NY State Theater): Lavish costumes by Karinska and scenery by Rouben Ter-Arutunian are featured in the annual Nutcracker performances, ending January 5. Lincoln Center (870 5570).

NETHERLANDS

***Utrecht**, Stadsschouwburg*: A new Netherlands Opera production of Turandot with Cristina Deutekom in the title role. Directed by Dieter Bülter-Marell, with the Netherlands Philharmonic and choirs conducted by Christian Badea, and dancers from the National Ballet (Wed). (71 66 67).

WASHINGTON

***Washington Opera** (Terrace)*: A month-long supplementary Kennedy Center season features alternation in repertory of Daughter of the Regiment and Christopher Columbus. Ends Feb 2. Kennedy Center (422 8700).

CHICAGO

Lyric Opera (Civic Opera House): The 31st season includes Otello starring Margaret Price, William Johns and *Sherrill Milnes, conducted by Bruno* Bartoletti and staged by Antonello Madau Diaz, along with Madame Butterfly with Anna Tomowa Sintow in the title role, conducted by Miguel Gomez-Martinez, as well as Samson, Anna Bolena, La Traviata, I Capuleti et I Montecchi, Die Meistersinger and La Rondine. (332 2244).

WEST GERMANY

Cologne, Opera: The rarely heard Die heimlich Ehe by Cimarosa has Carlos Feller, Georgine Resick and Janice Hall in the cast. Ein Maskenball's new cast is lead *by* Juan Lloveras and Stefka Evstatieva. Die Fledermaus rounds off the week.

Stuttgart, Württembergisches Staatstheater: Fidelio has Jeannine Altmeyer, Raili Viljakainen and Robert Schunk in the cast. Hänsel und Gretel and Die Lustige Witwe are also in the repertoire.

Hamburg, Staatsoper: Die Zauberflöte has Yoko Kawahara, Kurt Moll and Gabriele *Fontana* in the main parts. Beethoven's 9th Symphony conducted by Hans Zender is performed on Sunday and Tuesday, then Hans Sotin, Beatrice Neihoff and Harad Stamm sing in Die Meistersinger von Nürnberg, with My Fair Lady rounding off the week.

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BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday December 30 1985

Volcker's lone campaign

PAUL VOLCKER, chairman of the US Federal Reserve, finds himself beleaguered as the year ends. He has tried to use the Fed's powers to curb the excessive use of borrowing in financing corporate take-overs in the US. But his proposals have run into stiff opposition from the White House, the Justice Department, and the Securities and Exchange Commission. So the implementation of the Fed's new rules, which were to have come into effect on Wednesday, has been put off for a week while the Fed reconsiders them.

It is always extraordinarily difficult to curb a financial excess before the disaster, or the bail-out, occurs that proves it is indeed excessive. James Baker, the US Treasury Secretary, who opposes Mr Volcker's current initiative, would doubtless have opposed curbs on sovereign bank lending during the 1970s. "Let the markets decide," he would have said. Today he knows that they decided wrong and—more important — that the full consequences of their error could not be safely experienced by the participants. So he has given us the Baker Plan.

Mr Volcker has perceived that leveraged takeovers are undermining the resilience of American corporate balance sheets. To some extent the effect is a direct one in that important target companies emerge with their share capital replaced with debt issued by their new owners. But there is an indirect effect that is just as important: American managements know that if they run their companies' affairs in a conservative way they will become vulnerable to raiders. They buy-in their share capital and replace it with debt.

In trying to brake this tendency, the Fed has devised rules which will hit only "shell companies" which issue "junk bonds" secured very largely against the value of shares they are bidding for. It proposes to apply to such transactions Fed margin requirements which, since the Great Crash, have prevented US investors from securing borrowing against shares which they are acquiring of more than 50 per cent of their worth.

This extremely selective approach will undoubtedly involve the Fed in some subjective judgments as to whether, in particular cases, this margin rule should apply. The Fed is already being accused of establishing itself as a Federal Takeover Review Board. Ideally it would be better to devise a leveraging rule of universal application. But the Fed can scarcely be accused of seeking to undermine the perfectly valid role that takeovers and reverse takeovers have in the capitalist process. It is trying to confine its attentions to the extreme form of corporate raider.

It is hard to produce a watertight argument why the Fed is the right institution to take the lead in this matter, or why the margin rule should be bent to a new task in this way. But the Fed does have an understandable interest in the financial resilience of the US private sector. It is, indeed, hamstrung in its ability to control the growth of US borrowing through higher interest rates precisely because parts of the US financial system are already so over-exposed. This means that it must turn to more specific forms of intervention in the financial markets to affect behaviour at the margin.

Capitalist

In the UK, too, the Government is worried by the impact of highly leveraged takeovers, without any clear idea of whether, or by whom, they should be controlled. The controversial attempt by Elders IXL of Australia to buy Allied-Lyons using a large amount of bank finance has been referred to the Monopolies and Mergers Commission—not on the face of it, the appropriate body to study merger financing. But the analysis of an important financial precedent has to be carried out somewhere.

The Fed has made its move in a more rampantly capitalist environment in which the Government does not share these worries and where Congress has been toying with them for months without coming up with legislative solutions. It may well be that the Fed has overreached itself and has ineptly prepared the political ground for its stance.

Whether this particular approach can be sustained or not, Mr Volcker is right to be concerned about this new fashion in the takeover game and right to be going for preventive medicine instead of post bail-out recriminations. If the Treasury, the Justice Department and the SEC feel that his selective clampdown on junk bond takeovers is flawed, they should come forward with alternatives.

Men of tin, and men of straw

THE International Tin Council is driving its creditors close to despair. It is now more than two months since the council, which manages a price support pact on behalf of 22 countries, ran out of money owing hundreds of millions of pounds to banks and to brokers of the London Metal Exchange. Since then every proposed settlement has come from the creditors—not once has the council taken the initiative. Now it has taken a three-week Christmas holiday —from its last meeting on December 20 to the next on January 14, even though it had promised that it would meet on December 2 and stay in session until a decision was reached.

The delay should surely give the member governments enough time to work out how to start negotiations with the creditors. The latest plan, put forward during the Christmas break, offers perhaps some hope of a way out of the impasse.

The idea, which is to be discussed informally by the ITC on January 7, seems, at least, to be realistic about the time-scale for running down the 85,000 tonnes of stocks which the council has contracted to buy in a vain effort to hold up the price of the metal. This plan suggests a sharing of the losses — which could be £200m — over a three-year period.

But the banks and brokers can hardly be optimistic, for there is still strong disagreement among the governments which supported the tin council about whether they are now liable for its huge losses.

Only the UK, with its special interest in the health of the London Metal Exchange, has publicly committed itself to paying its share of the council's debts. Other consumer countries, notably West Germany, France and the Netherlands, have blocked attempts to begin negotiations with the creditors.

The producer countries, led by Malaysia, Thailand and Indonesia, have at least proposed a start to negotiations—but they reject the terms offered by the creditors as "unacceptable."

The majority view on the council is that members have no legal responsibility for the council's debts. The creditors are well aware that the issue might take years to settle if they were to apply to the courts.

Unfortunately, time is not on the side of the creditors, particularly the London Metal Exchange brokers, whose trade in other metals has been severely disrupted. Some could be driven out of business if the council's debts remain unpaid for much longer. The traders have therefore been forced towards a compromise with the council, offering to share the costs of running down the tin stockpile.

The tin council's member governments are under no such pressure. They hold the whip hand. But by refusing to negotiate with the creditors, they are abusing their privileged position as sovereign governments.

They should acknowledge that the tin council's financial commitments were made in their names and with their agreement — whatever the niceties in the legal debate about responsibility. Tin council officials have shown they kept within the rules of the International Tin Agreement. They repeatedly asked the members for more money, but were instead told to carry on buying on credit. Delegates certainly should have understood the implications of these decisions. The damage is now done, the bills must be paid.

Unstable edifice

However, although the moral right is on the side of the creditors, it has to be said that many of the traders and the banks which supported the tin council pursued their business with great imprudence. They knew that the tin price was supported on a highly unstable edifice of stocks

So there may be some rough justice in the creditors' offer to share the costs of a settlement. The council's share of the loss, split among 22 countries, could easily be met from government contingency funds.

A compromise, however muddy, seems now the best hope of restoring the market to normality. But above all, the governments involved must realise that failure to settle would set a dangerous precedent. If France, West Germany, and the Netherlands can walk away from their commercial obligations unscathed, might not Brazil, Mexico and Argentina be tempted to follow the example?

NINE MONTHS AFTER THE MINERS' STRIKE . . .

The decline of Mr Scargill

By John Lloyd, Industrial Editor

Achilles: . . . they pass'd by me
As misers do by beggars—
neither gave to me
Good word nor look. What,
are my deeds forgot?
Ulysses: Time hath, my lord, a
wallet at his back,
Wherein he puts alms for
oblivion,
A great-sized monster of in-
gratitudes . . .
. . . To have done is to hang
Quite out of fashion, like a
rusty mail
In monumental mockery.
(Shakespeare, Troilus and Cressida, Act 3 Scene 3)

DOES the decline—not yet the fall—of Mr Arthur Scargill have Greek, or Shakespearean, tragic status? It has some of the elements: the doomed attempt to overthrow the existing order, the fatal flaw, the humbling of pride, the devastation wreaked by one man's huge and vaulting ambition, not least on his followers.

And he is now quite out of fashion. The man who was once the beacon for the left, the role model for every Labour movement activist for the past decade and more, is now, beyond the hard left, a political untouchable. His union is split: the Union of Democratic Mineworkers whose existence he still refuses to acknowledge as an established fact, can celebrate the New Year in the knowledge that it retains the initiative its leaders seized three months ago, still growing from a base of between 30,000 and 40,000 members in some of the most

Worst of all, his own left has turned on him

strategically important coalfields in the Midlands, with offshoots in the North East and Lancashire, even in Yorkshire.

He has earned the dislike of the Labour Party leadership, and from its leader, palpable, almost physical, hatred. Neil Kinnock's speech to the Labour party conference in October, festering within him for a year, burst a boil of detestation and was received in rapture all the way through from soft left to the remnants of the party's old right. Kinnock had never taken to Scargill, his near contemporary and fellow miner's son: the Welshman saw the Yorkshireman as a poseur, superficial, lacking in the depth he admired in other miners' leaders of his father's generation.

Worse for him, the NUM president is now losing the allegiance of the left union leaders who worked hard to sustain him during the strike: as these men —Ron Todd of the transport workers, Jimmy Knapp and Ray Buckton of the rail workers and trains drivers, Rodney Bickerstaffe and Tom Sawyer of the public employees and others in these and other unions—reflect on the aftermath of the strike, they pull away from both Scargill and Scargillism. They feel, in the words of one of them, that his flaw has been a failure of leadership precisely where he most asserted leadership: that to insist that the resolutions passed by his activists at conferences were the immutable tablets of union policy, to force the entire union to act upon these policies without apparent regard to the time or circumstance in which it did so, was a betrayal, not a fulfilment of trust. Conference hall rhetoric is one thing: action which commits people and resources is at least in part another.

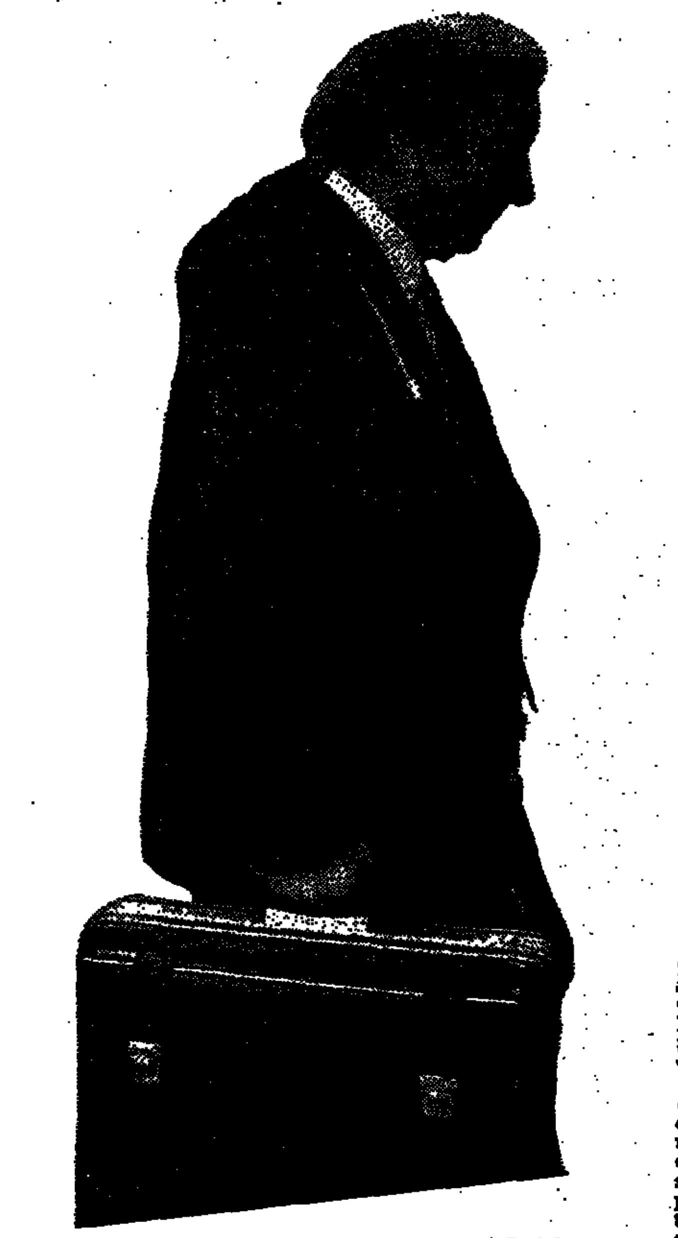
Worst of all: his own left has now turned upon him, and its members are progressively tightening the control they wish to exercise over him. On the weekend of December 14 and 15, at the Conway Hotel in Birmingham, the NUM broad left—the grouping of leading left officials which has in the past four years enjoyed domination of the union—met for the first time since January 1985. It was an extraordinary meeting.

Scargill, arriving late, opened the meeting by telling it that no pits had been closed since the strike by the actions of the National Coal Board: all closures had been due to the workforces refusing to resist them. The UDM, he continued, was no threat to the NUM: it was a "nonsense" union, not recognised by the Mineworkers' International Federation (from which ironically, Scargill has withdrawn the NUM).

He was instantly opposed by Mr Sammy Thompson, the Yorkshire area vice president and a recently elected member of the national executive committee. I don't know what world you're living in, said Thompson, but it ain't the world I'm living in. Backed by Mr Ken Homer, the Yorkshire area financial secretary, and others from that coalfield, Thompson revealed a particular grudge against his president: that he had backed a new, ultra-left, "rank-and-file" miners' group in Barnsley hostile to the Yorkshire area leadership, now publishing its own newspaper and responsible, according to the Yorkshiremen, for fights breaking out over the conduct of the recent ballot on political funds. Scargill, they said, had spoken on the group's platform and was suspected of assisting them to organise: the group itself has few members in the pits and is backed by such Trotskyist groups as Socialist Challenge and Socialist Organiser. The accusation, in short, was that the NUM president was organising an alternative left in Yorkshire.

To Scargill's call for resistance in the pits, men from some of the Yorkshire collieries told him he was out of touch with the reality of post-strike pit life. Once the board put up redundancy terms, they said, the struggle to stop wholesale desertions was usually doomed.

George Rees, the big South Wales secretary, threatened to take South Wales out of the NUM entirely if Welsh miners were further harassed by Scargill supporters at meetings for leading the return to work in March without an agreement.



Hugh Routledge

It was a threat with more than a touch of theatre, but one which reflected the deep hostility which has grown between the South Wales and the national leadership during and especially since the strike.

Scargill was dismayed and wounded by this: but there is no sign he has changed his stance. He remains a believer in strike action against the board to stop pit closures, and has told the Birmingham and other meetings of left activists he believes he will get it. He has not changed and will not change; for him, now and always, the greatest treachery is compromise, even with reality.

Because of that, the NUM left — that body of men who have exercised such a profound influence over our national life as their power waxed over the past 20 years—have come to a desperate pass. Tasting in their mouths the ashes of defeat, their enemies without having proved astonishingly firm of purpose, they have of necessity turned in on themselves, and most of all upon their leader.

They have, most of them, neither good word nor look for him: the man who commanded almost a monopoly of the membership votes a mere four years ago when elected president, put there as the miners' armour against Government and board in hardening times, now hangs, rusting indeed, a target for mockery.

But—the largest question—is this ingratitude? How right is it that this uniquely reviled individual should now occupy the pillory to which he has been consigned by his own comrades? Most of any view would dismiss the question as implying sympathy for a man now seen as a devil, to whom no quarter should be given because he never would give an to his burgeoning list of enemies. But the question goes deeper than that; it touches the very nature of the British labour movement in our times.

For the past two decades, the unions have maintained a useful ambiguity in their constitutional position. Growing in social influence, in militancy, in numbers, in financial resources through the 1950s and 1960s, they were by the end of that latter decade commonly seen to be the most alarming force in society, one which had to be constrained by law. The attempts by the Wilson government of 1966-70 and the Heath government of 1970-74 were held to fail: the latter most of all because of the actions of the NUM, led by a reluctant militant (Gormley) but powered by a resurgent left whose clearest image was the young Arthur Scargill and his creation of the potent myth of class solidarity and working class power as the Battle of Saltley Gates.

For the remainder of the 1970s, the common perception was that nothing government could do would ultimately withstand the power of a union with the giant's strength of the NUM. This was not just the view of the practical thinkers of the left — Lords McCarthy and Wedderburn foremost among them — but also, effectively of the right. A committee chaired by Lord Carrington, set up by the new leader of the Conservative Party to inquire into the cause of the 1974 debacle, reported to Mrs Thatcher that when push turned to shove, union shove could be greater than government push. Law could not regulate this force — for union power, it was held, was a reflection of working class preference and thus sprang from the deepest of roots.

This perception remained as a political reflex in many of the members of Mrs Thatcher's first Cabinet: strongest of all, perhaps, in her first Employment Secretary. In a revealing interview broadcast recently in the Channel 4 series *The Writing on the Wall*, Mr James Prior confessed that the pace of union reform was "almost inconceivable to someone like myself who did actually see the passage of the Industrial Relations Act and all that happened subsequently, to recognise the difference that there was between '79 and the present day, where the mood of the country had changed. The union leaders had greatly exceeded their authority in the eyes of the country generally, but also of their own members, and therefore the mood was right for rather more legislation and after all quite a lot more union bashing than I ever thought would be justified or politically acceptable."

Most trade union leaders were caught in the same time-warp as Prior: they had, after all, in adopting the April 1982 "Wembley Principles," moved with virtual unanimity to a position of at least potential rebellion against those laws passed by an elected government which most nearly affected them. In the Wembley arena, none was more vociferous, less inhibited, than the newly-elected President of the NUM. "We must decide," he told the ranks of union executives, "that in the final analysis, if any union or trade unionist is attacked by the provisions of this (1980 Employment) Act or this (1982 Employment) Bill, then each and every one of us pledge to take industrial strike action to defend our position, our movement and our class." (Prolonged, sustained applause.)

Many of those applauding had even then profound misgivings about the enthusiasm of their members for what would have been a formidable exercise of extra-parliamentary power which would have re-opened, more damagingly than before, the anguished 1970's debate on the governability of the country.

These principles, though soon to be "revised," are still in force: and only Arthur Scargill has seriously attempted to uphold them. He did so by constituting the miners' leadership as a vanguard, substituting itself for the general will of the miners (who were probably in the majority against a strike), cancelling out the demand for a ballot, using violent means, or means which could be judged to lead to violence, to achieve ends both industrial (taking coal production out of the market) and political (the destabilisation, if possible the destruction, of the Government). He did so in accord with the Wembley principles, with motions passed at Labour Party, at TUC and at union conferences, as well, of course, as at his own conference and his own executive.

He acted in, and was incarnate, the spirit of vanguardism: and that was the spirit (though rarely the actions) of most of his colleagues in the labour movement. For all that they

Union leaders caught in a time warp

may say, quietly during the strike and loudly after it, that he was an ungovernable madman, he and he alone made *their* words flesh. Scargill has been accused by many who dealt with him of dishonesty, manipulation and trickery; but at root he committed the fundamental, probably unforgivable honesty: he acted as though the movement meant what it said.

Well, the can has been tied to his tail now, and he may have to clank it behind him through the years. He may or may not last as President; unlike Shakespeare's Achilles, he is unlikely to stage a comeback through finding his enemy (Hector, in Achilles' case; almost everyone, in Scargill's) unarmed. But the fault does not lie only or even mainly in him, or in the NUM executive which sanctioned all he did. The Labour movement, now emerging from a 20-year embrace with near-syndicalism in which its adherence to the strict rules of a parliamentary democracy was kept an open question, must if it is to understand itself, understand Scargill as more than just a driven, demonically energetic individual—but as its own creation. To offer *him* alms for oblivion is the easy way out.

Men and Matters

Rescuers collide at Westland

So many rescues are now associated with the threatened collapse of Westland that a whole new squadron of Sea Kings may yet be required to ferry the victims to shore.

Most recently, Gordon Reece, former media adviser to Mrs Thatcher, has been retained by Westland to help rescue the Sikorsky-Fiat deal. Devotees of the runes are already seeking to interpret the political significance of this one. But the call to Reece is a tribute not only to the determination and guile of Michael Heseltine—formidable though this has proved. It can be traced as well to the skills employed by fast-rising City star David Horne.

Horne is the bluff, schoolmasterish figure who is managing director of Lloyds Merchant Bank, advisers to the five-strong European aerospace consortium bidding against Sikorsky and Fiat for a 29.9 per cent stake in Westland. An ex-Warburgs man, he has so far managed to juggle the interests of the British, French, Italian and West German helicopter companies amid ferocious political in-fighting in Whitehall. And he only speaks one language—English.

But Horne can be tough. When Westland's board sent out a circular recommending the Sikorsky/Fiat proposals just 24 hours after the Europeans had put in their own offer, Horne's comments had an outraged Sir John Cuckney, Westland's chairman, calling in the company's solicitors.

Horne now admits he went a bit too far. But a lot is at stake, not just for Heseltine but also for Lloyds Merchant Bank. It was only set up as a separate subsidiary of Lloyds Bank last May; until then, Lloyds had run its merchant banking operations within Lloyds Bank International.

The merchant bank is anxious to establish its name and reputation. But the LBI connection still has its uses. The original contract to advise the Europeans came in late October through LBI's office in Munich where Messerschmitt-Boelkow-Blohm, the German member of the consortium, is based.

For Reece, too, the outcome is important. If the ex-aide can rescue the Sikorsky rescue, heads in more places than one are likely to nod in approval.

"Still—I suppose it's good practice for the Westland shareholders' meeting."

Black look

If the Daily Telegraph ever wants to put its new proprietor on permanent display, the Canadian Opera Company in Toronto may have just the thing for it.

Among the items on offer for the company's fund-raising auction is a 4 ft portrait of Conrad Black, posing in the full-dress uniform of an early 19th-century Marshal of France.

Known as an ardent admirer of Napoleon Bonaparte and reputed to play war games in the basement of his Toronto mansion, Black is shown in the portrait, youthfully resplendent in sash and decorations. To complete the Napoleon look-alike, his right hand is tucked into his waistcoat.

According to publicity material for the auction, the painting (donated anonymously) "is perhaps the most definitive portrait of Conrad Black ever to reach the market, and accurately expresses the greatness of this distinguished financier, philanthropist and man of letters."

As if to make sure that nobody confuses this latter-day Canadian Napoleon with the original, the background of the portrait incongruously features Toronto's CN Tower, the structure which dominates the city skyline.

Small change

Great Universal Stores, the slumbering giant of British retailing, which disappointed the City recently with lower than expected results, is bringing in two new directors to help polish up its image for the 1990s.

In come William Hender, aged 55, and 58-year-old Stanley Peacock; out go John Cohen and Sydney Robin, who have reached retirement age.

But the wind of change is as yet a breeze. Great Universal —whose name suggests a more ambitious version of the old Home and Colonial Stores—has been governed for some years by an avuncular politburo under the co-chairmanship of 88-year-old Sir Isaac Wolfson and his son, Lord Wolfson, and there are no signs thus far of a Gorbachev-like purge of senior figures.

In fact, Hender and Peacock have each served long apprenticeships. They have worked for GUS for 27 and 35 years respectively and were already associate directors. Moreover, although striplings in GUS terms, they are not the youngest board members: that honour goes to Eric Barnes, a mere 52.

Great Universal is probably best known for its mail order business, and in that context Hender's appointment to the main board is perhaps the more intriguing. He is managing director of the General Guarantees Corporation, part of GUS's consumer and leasing finance services division—an important growth area for the company in the coming decade.

More space

Europeans who hanker after a spell outside the atmosphere should start polishing their letters of application.

Requests for details of job prospects should be sent, in the first instance, to the 11-nation European Space Agency, based in Paris, which co-ordinates Western Europe's extraterrestrial activities.

The agency is preparing plans to increase its squad of astronauts from three to about a dozen. The newcomers will join Ulf Merbold of Germany and Wubbo Ockels of Holland, each of whom has flown on US space shuttle flights, and Switzerland's Claude Nicollier, who is still kicking his heels in earth-bound training centres awaiting his first prolonged encounter with weightlessness.

ESA intends to recruit the new astronauts in about a year. The agency will be under pressure to ensure that the new group contains at least one person from each member state. Members of the team will leave the earth on flights of up to three months at a time, on board the international space station which the US, Europe, Japan and Canada are planning to build by 1994.

The plans may give Europe a chance to ensure that spacefarers come from a wider range of backgrounds than hitherto. Most of the 190-odd people to have zoomed into orbit have been either military officers or scientists.

Moving lines

Notice outside a sports shop in Aviemore: "Now is the discount of our winter tents."

Observer

As the deadline for EEC entry approaches . . .

Spain and Portugal leap into the unknown

By David White in Madrid

Felipe Gonzalez of Spain (left) and Antonio Ramalho Eanes of Portugal

IF ALL goes well, five or maybe six trucks loaded with EEC documents will arrive in Lisbon from Luxembourg by Thursday, the first working day of the new 12-member Common Market.

A hangar has been reserved at the airport to house the bundles of papers. Hastily translated into Portuguese, they contain all the EEC legislation that becomes national law in Spain and Portugal on January 1. They then have to be rushed out to government departments and to court-houses, which cannot be expected to rely on texts in one of the other eight languages of the enlarged Community.

Although both new members spent the best part of six years negotiating their entry, mapping out the steps of transitional arrangements lasting into the mid-1990s, and taking care to avoid the pitfalls of the two previous enlargements, they have left a lot to the last minute. This is more obviously the case in Portugal, less efficient, dynamic or prepared than its big neighbour, and handicapped by just having changed government, but it is also true in Spain.

Since both are introducing value-added tax to coincide with entry — in Portugal's case with a three-year running-in period before the tax becomes fully compatible with the EEC's — the opening months can be expected to bring chaos in business as well as in the administration.

Until mid-year the issue in Spain and Portugal was whether they would succeed in joining or not, much more than what the initial stage of entry might entail.

It is perhaps hard for the British reader, 13 years on, to appreciate the political enthusiasm that built up for the Common Market, particularly in Spain. Only towards the end of negotiations did the practical and economic implications begin to loom large.

Despite the relative thoroughness of these negotiations, entry looks like being a bumpy ride. For one thing, neither country's Civil Service is as ready as it might be. In Spanish ministries EEC information papers and questionnaires have been piling up, to be distributed almost at random. Spanish-language translators in Brussels have been devoting most of their time to revising translations done in Madrid by people who are not conversant with Community jargon.

A rigid bureaucracy has to take on a heavy work-load of procedural changes from day one of entry. In Spain, nobody knows quite how the work of handling farm and other funds from Brussels will be delegated. The country's semi-federal system of autonomous regions is still new, the stones of the building not settled; administrative problems are overlaid with political implications.

In Portugal, where administration is notoriously cumbersome and old-fashioned, changes have been left until late in the day. So have such basic tasks as staffing the country's permanent representation in Brussels. For the past six months, during the demise of Mr Mario Soares's Socialist-led coalition and its replacement by a Social Democrat minority government, decision-making has been virtually at a standstill. Portugal's confused political scene will not become clearer, if at all, until after presidential elections, the first round of which takes place in January.

Making a success of entry is a task on which the Spanish are also finding it difficult to concentrate, with Mr Felipe Gonzalez's Socialist administration tied up in its promise to hold a referendum in the spring on whether Spain should stay in Nato. This and subsequent elections will take up political energies for a good part of the year.

There is a risk that entry will, besides presenting industry with a daunting new challenge, prove to be a disappointment in public opinion terms. At the outset, there will be little to show for it, except possibly for Dutch tulips appearing in Barcelona, or French fruit reaching the shops in Oporto. The effect of EEC assistance will begin to show later on in the more backward regions — especially in Portugal, which is counting on Community funds for rural roads and sanitation.

The consumer will be better protected and informed, and progressively better supplied: but at what cost?

The looming start-up of VAT is causing some panic among both small businesses and consumers. Inflationary expectations have prompted a spurt of "buy before VAT" purchases. Both governments aim to bring their inflation rates—now around 8 per cent in Spain, and twice that rate in Portugal—down to EEC average levels in a few years, and are counting on VAT adding no more than one to two points to next year's index. This would mean that in Spain the inflation rate would rise fractionally, if at all, and in Portugal it would continue dropping.

This hope is based, however, on the assumption that those prices which should logically go down because of the changeover will actually do so. The Madrid authorities have taken advantage of the oil trend to cut petrol prices for the first time in Spanish history, and plan to cut telephone rates to get the message across. Nevertheless, inflation risks are the first impact most Spaniards and Portuguese feel.

While the official outlook from Madrid and Lisbon is optimistic, in terms of increased economic growth, the fact is that nobody really knows what membership will bring.

For Mr Gonzalez, entry is a political asset, which he will be anxious to use through the referendum and election period. He is playing a strongly European card, backing the principle of voting by majority in the Community and siding with its staunchest open-marketeers, even though many consider Spain to be one of the countries with most reasons for hesitating about a free European market.

Spain maintains a remarkable political consensus on the EEC, if not on the terms, at least on the principle that there was no alternative route for the country to take. The Portuguese, with memories of their African empire and its captive markets only a decade away, are less convinced. The still quite powerful Portuguese Communists are ideologically anti-EEC (the kind of change they thought was coming out of the 1974 revolution was not one that would have attached Portugal to Western Europe) and they think the economy is too weak anyway to take on EEC competition. In this conclusion they are joined by the more timid sectors of business.

Portugal, like Spain, is used to dealing with the EEC — both new members have had preferential trade agreements with the Community since the early 1970s — but it is not used to dealing with its neighbour. This is going to be the biggest change, both economic and psychological, for the Portuguese. Last year Spain took only 4 per cent of their exports and supplied 7 per cent of their imports. In 10 or 15 years they may well be doing the bulk of their trade with the Spanish.

They make a curious pair of countries. The Portuguese maintain a distrust and often an active dislike of the Spanish which closely resemble the feelings of the latter towards the French. The Spanish often forget Portugal exists.

Their modern history, however, has followed uncannily similar paths. Emerging from long dictatorships that persisted into the mid-1970s, both achieved peaceful transitions to solid parliamentary systems, but lost time adapting their economies to post-oil-crisis realities. Recent socialist governments in both countries ditched dogma to enforce restrictive economic policies. The result, as both join the EEC, is that they have healthy external balances—in Spain, a current account surplus since last year, in Portugal a small deficit—and enough reserves to cushion an upset in trade as a result of EEC imports.

But in both old habits die hard. Industrialists show symptoms of helplessness at the prospect of losing state protection, and trade unions baulk at any thought of losing the worker's privilege—that of being safe in the job.

Entry will be gradual, and terms of adapting agricultural prices (Portugal's because of its support system, actually have to come down in many cases) will not start until the new agricultural year in March.

However, competition both from the EEC and from third countries will be felt from the first year. Spanish producers fear a sharp immediate loss in competitiveness because of VAT and the simultaneous loss of the tax relief they have enjoyed up to now on exports. Three years into its seven-year transition for industrial goods, Spain will have lost more than half its tariff protection against EEC products, currently around 10 per cent. Manufacturing industry, which grew up safely fenced around by tariffs, now feels vulnerable for the lack of non-tariff barriers to match those applied by other EEC countries.

In Portugal, tariff protection is already minimal for most products, and will be gone in three years.

Both countries already send half or more of their exports to the EEC—more than some current members to other EEC countries—and rely on the EEC as the source of most of their tourist income and emigrants' remittances. The bigger growth after entry will inevitably be in imports.

The loudest voices among Iberian businessmen tend to be the defeatists. However, prophecies of disaster also greeted Spain's two previous openings to the outside world—in 1959 and 1970. In the event most sectors did well from the change.

In any case, if Greece's experience in the EEC has produced a lesson for the new entrants, it is that there are always ways of putting off the less palatable aspects of integration. Since signing their accession treaties in June, the Spanish and Portuguese have realised that the bargaining is not over—that it is only just beginning.

Lombard

Towards a Bigger Bang

By John Plender

EVOCATIVE it may be, but as a description of the likely consequences of the coming upheaval in the City of London the phrase Brave New World is surely a misnomer. Deregulation on the Stock Exchange will take us back to the rough old world of 19th century dealing practice. The really brave new world is the one into which technology is driving the banking system.

And very nightmarish it looks, too, for just about everyone except the consumer—or so it would seem from a thought-provoking piece of futurology on payment systems by Mr Patrick Frazer, late of the Committee of London Clearing Banks. In essence, Mr Frazer expects the volatility that now plagues the wholesale money markets to spread into the retail market under the impetus of new technology, thereby depriving the banks of their stable core of personal deposits and turning all money into hot money.

The broad thesis runs like this. Sophisticated cash management facilities now available to corporate treasurers are bound ultimately to extend to much of the personal market, however slow the initial take-up. Instant money transfer services on home banking systems will allow individuals to switch money from one account to another, or between different institutions and countries, at the touch of a button.

Idle balances (and thus banking profits) will be cut down to size as everyone puts money to work. Much of the switching will take place automatically as computers shunt money between different parts of hybrid transaction and savings accounts.

While technology provides the means for people to respond rapidly to interest differentials, it is simultaneously loosening traditional loyalties. The widespread use of plastic cards, together with the centralising power of the computer, is putting a wedge between customer and bank. In due course volatility will threaten to become endemic in retail banking unless banks bribe customers to tie money down for fixed periods.

One well-understood implication for the clearing banks is that new competitors, whether retailers, stockbrokers or foreigners, will no longer have to invest in branches to attack their customers. Equally important, both home banking and office banking weaken the banks' dominance of the payments system.

Cash management systems tend to be part of a package of services not exclusively to do with banking, or indeed financial services: the bankers' fear is that home banking, for example, could turn out to be what the entertainment industry gives away to win subscribers for cable TV.

The worry for central bankers concerns both monetary control and prudential supervision. Measuring and assessing bank—and non-bank—liquidity will become even harder. And, as with deregulation, the monetary impetus of technology on competition in banking is bound to be expansionary.

The problem is made still more acute by the ability of technology to skip over national boundaries. Interestingly, Nottingham Building Society's home banking operation already includes customers from Hong Kong.

Mr Frazer offers all the usual health warnings on timing. He also argues that the potential threat to the stability of the banks and to monetary control is so great that both the banks and the authorities will make sure that an extreme version of his hot money scenario does not come about; but — alas — he offers no thoughts on how to do it.

This is a pity. For it is hard to see how central bankers will be able to control these increasingly volatile flows, handled increasingly by non-banks, without reintroducing draconian exchange controls and establishing a degree of co-ordination between domestic and international regulatory authorities that borders on the idealistic. But who knows, perhaps wisdom will dawn after the Big Bang.

Plastic and Electronic Money by Patrick Frazer, Woodhead-Faulkner Ltd. £35.

Letters to the Editor

Westland—make it European

From Mr J. Woodrow

Sir,—Whatever the merits of the two offers for Westland are it is possible to argue that this country is sufficienty or over-dependent upon the US already.

The Trident project is a growing financial burden, and unpredictable in ultimate cost. When the US dollar falls, as it will do eventually, the proposed US connection for Westland may prove an added financial embarrassment.

The UK's primary interests are in the EEC and should be encouraged to grow closely allied to the European monetary system which will prove a more effective financial shield for employment prospects at Westland.

John Woodrow.
Summersdale,
Harmby,
N Yorks.

Management buyouts

From Mr H. Parker

Sir,—The report by Martin Dickson (December 18) on "the collapse of the management buyout bid for Molins" makes depressing reading. It reveals an attitude among institutional shareholders that I believe is out of date and out of step with the times.

There is no doubt of the need for major restructuring in some UK industries and within many UK industrial companies. One of the most positive ways to achieve such corporate restructuring is through management buyouts by which the buying managers are transformed from salaried employees into highly motivated owner/managers. There is general agreement that this country urgently needs a rekindling of the entrepreneurial spirit, and the resulting creation of new businesses and new jobs which is such a conspicuous feature of the current American scene. The "crushing by dissident institutional shareholders" of the attempted Molins buyout hardly seems in keeping with that spirit.

Apparently these dissident institutional shareholders felt that the 10 per cent premium above the current share price offered by the management was insufficient "given the company's growth potential under the widely admired managing director, Mr Christopher Ross." Elsewhere in the article it is reported that "Mr Ross was visibly upset by the outcome." I do not know Mr Ross or any of his buyout team, but it is my guess that they must not only be upset but also profoundly demotivated. Given Molins's declining profit trend in recent years and the uncertain growth prospects for the cigarette industry they serve, can it really be in the shareholders' long-term interest to demotivate in this way the very managers on whom the company's future growth and share value depend?

This short-sighted attitude of the institutional shareholders is further reflected in the reported comment that they were concerned that "a successful Molins buyout team might float the company in a few years' time at a much higher share price and the existing shareholders would then have lost out." According to your article the successful reflotation of the salvageable parts of Stone-Platt is cited by some fund managers as an outrageous example of just such a successful buyout which they do not want to see repeated. Yet this is precisely the kind of shake-out and restructuring of moribund industries and companies that this country so badly needs.

Hugh Parker,
Albemarle International,
23 Albemarle St, W1.

Goods in the shops

From Mr A. Harris

Sir,—Sir Jan Lewando (December 19) speaks for the freedom, independence and integrity of the consumer and shopper. But is not the corporation to enjoy like freedoms?

There is no inherent contradiction, as Sir Jan Lewando knows from his personal experience and distinguished career, between managements as he puts it, imposing a "political decision" and the same managements producing excellent results. If the decision leads to damage to the company, its standing and the shareholders' returns, they have two options. They can either dismiss the management or get out. (Such options are incidentally not open to the majority of South Africans who face unique "injustices" merely because of the colour of their skins).

More sinister I believe is the implications of the intervention of the general secretary of the TUC in this matter. He is in a position to have sanctions applied to the non-complying firm. This could have far more damaging effects on the shareholders' interests.

The issue is not simply a matter of the multiple retailers merely getting on "with their job of trading commercially and unpolitically." The current large company ethos is one of social and community responsibility. For the major companies to take a position on South Africa that is not immediately commercial is in keeping with and appropriate to this new ethos.

Ansel Harris.
23 Ferncroft Ave, NW3.

Ravenscraig's future without the Gartcosh strip mill

From Dr J. Bray, MP

Sir,—Most readers who have thought about it, like most people in Scotland, probably believe that British Steel Corporation's proposal to close Ravenscraig's cold strip mill at Gartcosh, if carried out, will be followed by the closure of Ravenscraig. The Government has undertaken to maintain Ravenscraig in operation for three years. But that is an empty electoral gesture if by closing Gartcosh, BSC has severely prejudiced the future viability of Ravenscraig.

BSC is undertaking no more than the minimum investment needed at Ravenscraig to maintain production for three years, while undertaking longer term investment at Port Talbot and Llanwern. Benefits from the acquisition of Alpha steel capacity, both in quota and in market share, accrue to the strip products group. The realisation of those benefits would in no way be affected by the closure of Ravenscraig. In evidence to the Scottish Affairs select committee, the chief executive, Mr Scholey, put a question mark over the future of Ravenscraig's other finishing mill, the Dalzell plate mill. Ravenscraig is therefore now being treated as the marginal integrated strip mill.

The bottleneck in steel production is already the finishing mills. Closing Gartcosh would tighten this bottleneck to the point where, however high the level of demand, Ravenscraig could then be closed without reducing the finished steel that BSC could produce.

It appears that BSC forecasts of demand for Gartcosh and Ravenscraig products could be met not only without Gartcosh, but also without Ravenscraig. With Gartcosh closed, there would be only small margins of finishing mill capacity left in BSC.

Even with Gartcosh, the finishing mills are already the bottleneck in meeting increased demand, but most of Ravenscraig output could go to BSC finishing mills. With the closure of Gartscosh, that bottleneck would be tightened to the point where, whatever the level of demand, there would not be the finishing mill capacity to take more than a small part of the output of Ravenscraig.

While Ravenscraig continues there are operational advantages in giving it a reasonable share of the load, just as there have been with Gartcosh. But in considering closure, BSC considers overall viability, in the sense of whether profits are expected to be higher with a plant than without it. That of course has been the basis of the BSC proposal to close Gartcosh. With the large fixed costs of an integrated steel plant, Ravenscraig could scarcely be viable without Gartcosh at any level of demand. The closure of Gartcosh does therefore severely prejudice the future viability of Ravenscraig.

BSC has avoided repeated requests to set the effect of the closure of Gartcosh upon the future viability of Ravenscraig, in the context of strip product group strategy as a whole, where at other times it says it belongs. And Ministers have refused to get an independent assessment.

If there is an economic case for retaining Ravenscraig, there is certainly a case for retaining Gartcosh. Is there an economic case for retaining either? BSC claims its forecasts are optimistic and regarded as such by the European Commission. Yet in its Forecasting methods, BSC has no means of making other than judgmental adjustments of the effect of a lower sterling Deutsche Mark exchange rate on the competitiveness of British steel. The EC steel task force did not consider the effect of any change in the sterling Deutsche Mark exchange rate.

I admit that talking to major steel consumers in the motor and other industries, I find much the same defeatism as I find in BSC about Britain ever recovering more of its share of manufacturing within Europe. Much of that defeatism comes from the Government, and industry has strong herd instincts. BSC puts the cost of keeping Gartcosh going at £11m per year, and the replacement cost of Gartcosh at perhaps £500m. The replacement cost of Ravenscraig would be over £2bn. Is not £11m a small insurance premium to pay to preserve such large assets for a few years yet against the eventuality that British industry might recover, never mind the Conservative party in Scotland?

(Dr) Jeremy Bray.
House of Commons, SW1

FINANCIAL TIMES

Monday December 30 1985

Terry Byland on Wall Street

Brokers enjoy final flourish

IT HAS been a merry Christmas at Wall Street brokerage firms as the heavy trading in the stock market has applied the final flourish to their 1985 profit figures.

Estimates for the range of the recovery in earnings range widely, chiefly because most firms have produced their own crop of special factors.

But substantial recoveries will be reported, both by the retail houses such as Merrill Lynch and Paine Webber, which benefit strongly from the stock market's upsurge, and from the wholesale firms such as First Boston and Phibro-Salomon, whose nets will also reap the harvests from the credit markets.

Since the end of October, when the latest bull phase in stocks began, brokerage issues have outpaced industrial stocks without much difficulty. At mid-December, when the Standard & Poor's 500 was 8 per cent up over the six weeks, Paine Webber had jumped by 30 per cent, Merrill Lynch by 23 per cent, Phibro by 17 per cent, First Boston by 12 per cent and even E.F. Hutton, haunted by its illegal overdraft problems, by 6.3 per cent.

BROKERS' P/E RATIOS

First Boston	10
E. F. Hutton	12
Merrill Lynch	18
Paine Webber	20
Phibro-Salomon	22
S&P 500	13.5

The very success of the brokerage stocks has already raised questions as to whether they can continue at this pace into the new year.

The Wall Street firms will be lucky indeed if this year's crop of bullish factors is repeated in 1986. The surge in the stock market was accompanied by the two features most necessary for a healthy brokerage industry – persistently high levels of market trading and a succession of huge takeover situations.

Record mutual funds sales towards the end of the year signalled busy trading days for the retail brokers. Mutual funds still tend to deal with the full-line brokers, rather than with the discount brokers, who concentrate on the private investor.

The stock market takeover boom has been good news for both the retail brokerage and the wholesale and investment banking firms. Huge demand for targeted stocks by the arbitrage houses has meant commission business for the brokers. The takeover deals themselves have meant substantial fee incomes for the investment houses.

The record issuance of corporate debt, a reflection of plunging interest rates, has been a further boon to the Wall Street houses. And, to top up the investment stocking, anticipation of changes in tax law has brought a surge in public finance business, another big fee earner.

Wall Street, however, is now turning cautious on prospects for its own earnings. The Fed's harsher view of takeover financing, the tailing off in municipal financing, together with the likelihood that much of the drama in both credit and stock markets is now over, indicates a closer climate for the brokers in 1986. Stock prices have already taken account of predictions that 1985 will bring earnings gains of around 22 per cent at E.F. Hutton, or 31 per cent at Phibro-Salomon. That puts the stocks on generous price/earnings ratios by comparison with the market, where the Standard & Poor's 500 is currently on a 13.5 ratio.

If the brokerage houses turn in further gains in earnings next year, the sector will remain comfortably priced against the market. But analysts of the sector are ratcheting down their previous estimates. Some of the more pessimistic observers fear that 1986 will bring flat earnings for the Wall Street names, which contrasts with the generally more bullish view taken of earnings prospects for the equity market as a whole.

If the new year brings signs that brokerage earnings are indeed flattening out, then the share prices will begin to look out of line. Flat earnings in 1986 would imply an average price/earnings ratio exceeding 14 for the shares, against expectations of 11 on the S & P 500. A 25 per cent premium on the market would soon look too high for a sector looking at a disappointing year.

Crystal balls are in even greater demand than usual on Wall Street this year. The outlook for profits, for interest rates and for share prices have all assumed an urgency far beyond the traditional new year star-gazing exercise.

Wall Street's own brokerage stocks might find themselves in the front line if there is any radical shift in the battlefield in the early months of 1986.

MANUFACTURERS ENJOY SECOND-BEST YEAR EVER

Jet airliner orders total $22bn

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

THE WORLD'S jet airliner manufacturers have enjoyed their second-best year ever, with firm orders placed during 1985 for 654 aircraft of all kinds, worth over $22.73bn.

That compares with the 1984 total of 333 jet airliners firmly ordered, worth about $10.2bn. The record year was 1979, when over 750 aircraft were ordered.

Thereafter, the annual inflow of orders declined rapidly, as recession began to bite into the world air transport industry, reaching a low point in 1983 when orders for only 232 jet airliners, worth about $7.34bn, were placed.

The order books are now recovering for three main reasons. First, many aircraft ordered over 10 years ago are becoming increasingly expensive to maintain.

Second, those same jets are also much less fuel-efficient than today's improved aircraft, as well as increasingly environmentally unacceptable because of their noise and engine pollution. Economic and social pressures on airlines to replace them are growing and new and more stringent international noise rules are forcing many aircraft out of service.

Third, the recovery in air traffic after the recession has been much swifter than many airlines expected, encouraging them to consider *fleet expansion earlier than originally planned.*

During 1985, for example, the growth over 1984 in world airline passenger traffic is believed to have been between 7 and 10 per cent. For the years immediately ahead, it is expected to grow between 5 and 7 per cent annually, up to 1995.

COMMERCIAL JET AIRLINER ORDERS, 1985

Manufacturer		Orders (1984 in brackets)		Value in $m (approx)	Total ordered (all versions each model) excluding options*
Airbus Industrie	A-300	21	(11)		272
	A-310	29	(10)	4,500	117
	A-320	39	(14)		90
Boeing	737	382	(134)	6,900	1,535
	747	34	(22)	3,570	676
	757	25	(2)	1,050	162
	767	21	(10)	2,130	188
British Aerospace	146	12	(7)	182	52
Fokker	F-28	21	(8)	230	240
(Netherlands)	F-100	30	(8)	600	38
McDonnell Douglas	MD-80	125	(100)	2,750	479
	DC-10	3	(7)	160	379
	KC-10	12		660	60
Totals		654	333	22,732	4,288

** In each case, substantial options, letters of intent or conditional commitments exist which have yet to be converted into firm contracts, involving several hundred aircraft.*

As a result, the re-equipment tide now flowing is expected to continue through the rest of the 1980s and into the 1990s, for many airlines still have to make up their minds on new equipment.

Boeing, the world's biggest builder, believes that between now and 1995, the world's airlines will spend up to $135bn on new jet airliners of all kinds, of which $85bn will be spent to meet traffic growth and $50bn to replace aging fleets.

Boeing believes that will mean *adding 4,005 new aircraft to world* fleets by the mid-1990s. Of those, about 2,727 will be in the short-to-medium-range market, with the other 1,278 in the medium-to-long-range market.

Airbus Industrie of Europe, Boeing's rival in the short-to-medium-range jet market, believes that between now and the end of the century, the world market for jets will amount to 9,125 aircraft, worth an estimated $511bn.

Of those, some 4,162 will be short-range, single-aisle aircraft; 3,679 will be larger, twin-aisle short-to-medium-range aircraft; and the remaining 1,284 long-range airliners.

The Boeing/Airbus figures vary widely because of the different timescales over which the two manufacturers are forecasting, but they both broadly agree that expansion *over the remaining years of this* century will be substantial.

During the past year, although Airbus has achieved some dramatic sales victories over Boeing in the short-to-medium-range market, especially with the A-320 for delivery in 1988, the figures show that Boeing, and to a lesser extent McDonnell Douglas, both still dominate the marketplace.

Boeing itself has had its fourth best year in its history, with total orders for 362 jets of all kinds, worth more than $13.6bn. It sold more in 1978 (461 aircraft), 1965 (412) and 1966 (364). The two latter years, 1965 and 1966, were the peak years for sales of both the 707 four-engined long-range jet and the smaller 727 tri-jet. Both are now out of commercial production (although a few 707s are still being built for military roles).

Boeing's current best-seller is the 737 twin-engined short-to-medium-range jet. Out of Boeing's past year's order book of 362 jets of all kinds most (282) were 737s, and of those most in turn (over 250) were the advanced 737-300 series.

Total sales of the 737 to date stand at 1,535 aircraft, still well below the record of 1,831 sales set by the 727, but Boeing believes the 737 will become the world's best-selling jet before the end of this decade.

Airbus has also done well over the past year with the A-320, despite competition from the 737-300. In addition to the current total of 90 firm orders there are many options that will more than double the total when converted into contracts.

For all current types of jet airliners, the firm purchases are accom*panied by options or letters of in*tent for further aircraft. The effect of those will only be felt in the years ahead, as they are converted into firm contracts, but they are sufficiently substantial in number to ensure that the world's jet builders will be busy for many years to come.

China warms to refrigerators

BY NICHOLAS COLCHESTER, RECENTLY IN CANTON

THE REFRIGERATOR is often cited as a yardstick of economic development. In Japan there are 117 refrigerators for every 100 householders, while in the UK 98 per cent of *homes have one or more fridges.*

The 1bn people of China have only 2.6 refrigerators for every 100 homes and that reflects both China's backwardness and vast potential of the market.

It is demand for exactly that type of consumer product that is rising rapidly in China as a result of the open-door economic policy introduced in 1979. Chinese refrigerator sales are running at roughly 1m units a year, according to Zhou Fang Lin, the deputy managing director of the Wanbao Electrical Appliance Industrial Corporation in Canton.

He predicts that the number will be up to 10m a year in 1990. Those figures compare with annual sales in the UK, for example, currently running at some 1.5m units per year.

The Wanbao company accounts for about a quarter of China's domestic refrigerator production. The company's development and the open way in which the management is prepared to talk about it provides a small example of China's industrial response to the un*leashed appetite for* consumer products of its immense population.

The company is fully owned by the central government, which, one year ago, transformed an enterprise of the Guangzhou municipal government, the Guangzhou Refrigerator Factory, with a substantial injection of new capital and foreign refrigerator-making technology it purchased from the Hitachi Company in Japan and the ACMA company of Singapore.

In 1980 the original factory produced its first refrigerator entirely by hand, and the 600 employees on the payroll at the end of that year could produce only 400 refrigerators for their efforts. Today, the company has modern, imported production lines, fixed assets of 80m yuan ($25m) and 4,000 workers turning out 200,000 refrigerators a year, from eight different factories.

The company's brochures feature a surprising range of products for such a young enterprise – four models of domestic refrigerator, five different refrigerated display cases for shops, and three different types of air conditioners.

But the management admits that Peking has called a halt to the purchase of new assembly lines and product technologies abroad as the country's foreign exchange shortage takes hold. The drive is now on to make Wanbao a net contributor to China's balance of payments.

The key aim is to bring down the proportion of the raw materials that must be imported, currently standing at no less than 80 per cent of the raw-material value of each fridge. In particular, the door sealing strips of special rubber have to be imported complete, as do the temperature controls and the compressors, which are bought either from Japan or Italy. Zhou confidently expects to be manufacturing a 100 per cent Chinese product by 1987.

Also, because of Canton's coastal location, Wanbao is being particularly encouraged by the Peking Government to export, and the company is already discussing sales to Pakistan. It has exhibited its modern-looking wares in the Soviet Union and Poland and hopes to do so soon in West Germany.

Wanbao will make profits this year of some 25m yuan, 70 per cent of which goes to the Government, the rest being spent either on staff bonus schemes or on further investments. Such profitability is doubtless helped by the tariffs that protect Chinese producers from the overseas competition.

In the department stores of Canton a Wanbao fridge/freezer sells for between 1,000 and 1,200 yuan, or $312–$375, alongside equivalent Japanese models selling for 1,500 to 1,600 yuan.

At those prices the Canton worker has to dig deep into his pocket if he wishes to preserve the astounding range of animal flesh – from terrapin to badger – available in the city's teeming markets. The Wanbao worker, on a 48-hour week, earns an average of 130 yuan a month, $41, a wage that may produce a sinking feeling in the management of refrigerator companies in the West.

SA students plan to end schools boycott

Continued from Page 1

within three months, the students should again boycott classes.

The conference was preceded by wide ranging separate discussions between the parents' group and the three government departments – education, defence and law and order – most closely linked with the country's black education crisis and, on Christmas Day in Harare, Zimbabwe with representatives of the ANC.

Mr Vusi Khanyile, an SPCC member, said yesterday that the ANC had agreed to support and abide by the decisions of the weekend conference. Dr Nthato Motlana, chairman of the Soweto Civic Association, said that the Government had agreed to recognise student representative councils and would reschedule examinations for children prevented by the boycott from sitting for exams at the right time.

UK companies pay the price of romance in the workplace

BY DAVID THOMAS IN LONDON

A NEW REASON for the poor performance of some British workers has been discovered – too many affairs at work.

When romance strikes in the workplace, workers become less effective because of daydreaming and lack of concentration. Productivity may fall away as the star-struck couple spend office time chatting to each other.

The company image may suffer if employees make passes at each other in front of clients or customers, and pillow talk may lead to the disclosure of confidential decisions or information about other employees.

Such dangers are disclosed in a survey by Mr Ron Harrison and Mr Roger Lee of Strathclyde Business School, reported in Personnel Management magazine.

The authors asked 76 managers on courses at Strathclyde how they viewed other people's affairs at work.

Although most respondents were at an early stage in their careers, they had observed a total of 438 affairs at work – about six each.

The managers suggested a number of reasons why workplace affairs start, ranging from easy access and shared interests to the "aphrodisiac effect of success."

Sadly, perhaps, only three of the 76 respondents mentioned "love" as a factor behind workplace romances.

According to the survey, most workplace relationships last a matter of months, although there is a wide range through brief flings to marriage.

The survey finds that few employers have formal policies or guidelines for handling workplace romances among their employees.

The situation is different in the US, where lawsuits by one or both lovers alleging discrimination have forced employers to take a closer interest.

However, that imposes costs. "Excessive vigilance can prevent the emergence of normal relationships," the authors write.

Despite their generally unfavourable view of the impact of affairs at work, almost two thirds of the managers felt they should be tolerated.

The authors conclude: "A full-blown affair with a work colleague, once considered highly deviant behaviour, is now more generally acceptable."

That is just as well because, according to the report, "sociologists confidently predict that the number of workplace romances is bound to increase."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	15	59	Dubrovnik	C	14	57	Malaga	-	—	—	Salzburg	Sl	2	36
Akrotiri	F	19	66	Faro	S	14	57	Malta	F	18	64	Seoul	R	3	37
Algiers	C	17	63	Florence	F	14	57	Manila	S	31	88	Singapore	F	30	86
Amsterdam	F	-1	30	Frankfurt	S	-3	27	Miami	C	24	74	Stockholm	C	-9	16
Athens	F	16	61	Funchal	C	16	61	Milan	C	4	39	Strasbourg	F	0	32
Bahrain	S	17	63	Geneva	C	3	37	Moscow	Sn	0	32	Sydney	S	23	73
Bangkok	S	31	88	Gibraltar	R	13	55	Munich	Sn	0	32	Taipei	S	23	73
Barcelona	-	—	—	Guernsey	F	4	39	Nairobi	F	24	75	Tangier	-	—	—
Beirut	S	21	70	Helsinki	Sn	-2	28	Naples	C	18	64	Tehran	-	—	—
Belgrade	S	16	61	H. Kong	C	20	68	New Delhi	S	16	61	Tel Aviv	F	20	68
Berlin	Sn	-2	28	Innsbruck	Sn	1	34	New York	C	-2	28	Tenerife	C	18	64
Biarritz	S	4	39	Inverness	S	-5	23	Nice	C	14	57	Tokyo	F	14	57
Blackpool	S	0	32	Istanbul	F	12	54	Oporto	S	10	50	Toronto	Sn	-8	18
Bordeaux	S	3	37	Jersey	F	5	41	Oslo	S	-16	3	Tunis	-	—	—
Brussels	F	0	32	Jo'burg	S	27	81	Paris	F	0	32	Valencia	C	14	57
Budapest	S	14	57	Las Palmas	C	16	61	Prague	C	-1	30	Venice	C	7	45
B. Aires	S	31	78	Lima	S	21	70	Reykjavik	C	-2	28	Vienna	R	4	39
Cairo	F	19	66	Lisbon	S	11	52	Rio de J'o	S	23	73	Warsaw	C	-3	27
Cape Town	C	20	68	Locarno	C	4	39	Rome	S	18	64	Zurich	Sn	-1	30
Caracas	S	27	81	London	F	1	34								
Casablanca	-	—	—	Los Angeles	F	14	57								
Copenhagen	C	-1	30	Luxembourg	C	-4	25								
Corfu	F	18	64	Madrid	C	7	45								
Dublin	Fg	-2	28	Majorca	F	16	61								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Living with the dollar

Continued from Page 1

got so tough that the group had to raise new funds earlier this year to restructure its stretched balance sheet.

Whatever the pros and cons of the dollar's recent decline, industrialists are agreed that they would rather that currencies did not move at all.

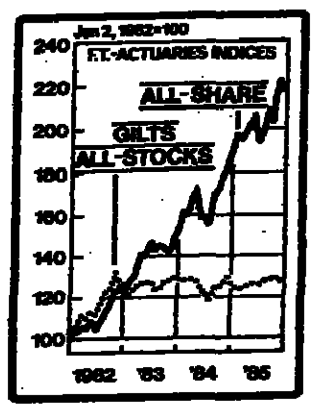
Renault, for example, is one of France's top three exporters to the US with sales of FFr 4bn-FFr 5bn, consisting mainly of 130,000 kits supplied to 46 per cent owned American Motors. Whichever way the currencies move, Renault has to cope with huge swings in the value of its exports and its profits from AMC. The company said the current dollar-franc rate was satisfactory, but it would just like it to remain stable.

But as long as exchange rates do fluctuate widely, managers will try to offset the risks involved, even if they are expensive. Volkswagen's factory in Pennsylvania, for example, has been a costly problem in recent years, but there is no question of dropping it. As Mr Carl Hahn, VW's chief executive, says, the plant is a long-term insurance policy against a very weak dollar and/or very strong D-Mark.

THE LEX COLUMN

When takeovers take over

It has not been much of a year for the actuaries. As the London equity market packed up for Christmas, the FT All-Share index was yielding 4.41 per cent. At the end of 1984, by way of dazzling contrast, the yield was 4.42 per cent. The FT 500 Share index is now trading on an earnings multiple of 12, compared with 11.9 at the close of 1984, while the gross redemption yield on high-coupon long-dated gilts is 10.43 per cent, *not a million basis points from* the 10.40 per cent quoted at the end of last year.



To judge from the indices, 1985 has been a drearily familiar year. The pattern of 1984 – and 1983 for that matter – has been repeated in the equity market, which sustained a sharpish fall in mid-year but eventually rose just enough to reflect the achieved growth in profits and dividends. Fixed-interest yields failed yet again to penetrate the 10 per cent level, while short sterling rates – driven above 14 per cent early in the year to defend the pound – subsequently settled back into 10 per cent territory.

Electronics

But, while the aggregate movements would put London in the running for an Efficient Market of the Year award, the performance of individual stocks and sectors suggests that 1985 was a year in which the best-laid plans went more than usually awry. Rarely, for example, has the London equity market failed to discount a fall in profits as conspicuously as it did in the electronics sector earlier this year. Conversely, only the super-bull would have forecast that the stores sector, having achieved capital growth of 30 per cent in 1984, would rise a further 37 per cent in the course of 1985.

And even the most enthusiastic of analysts would scarcely have anticipated that brewers and distillers – a defensive sector par excellence – would by the end of 1985 be trading on a sub-market yield and a p/e multiple higher than electronics. But what no one could have forecast this time last year is that 1985 would go down as the year of the takeover bid.

The value of takeovers launched in 1984 was, at £5½bn, easily a record in nominal terms and, even expressed in constant prices, stood comparison with the peak year of 1972. But, by the beginning of this month, the 1984 total looked a very paltry figure indeed. Within the space of a few weeks, bids were announced with an aggregate value of £7bn.

It would be possible – although rather dull – to explain this year's increase in equity values without recourse to the takeover argument. A 16 per cent rise in the FT All-Share index does not look extravagant in a year which has seen corporate profits again showing double-digit growth, dividends rising at almost three times the level of inflation and the output measure *of GNP increasing by roughly 3.5* per cent. So with earnings and dividend growth of over 10 per cent in prospect for 1986, the London market rating could theoretically be justified even in the absence of takeover activity.

But while there may be some argument about the influence of the bid climate on stock-market performance – with roughly a third of the FT 30-Share constituents incorporating a measure of bid premium, it cannot simply be dismissed – there is not much doubt that the launch of so many hostile takeovers has had a marked effect on stock-market behaviour. Institutions have turned over their portfolios more rapidly, in pursuit of the next target, while equity analysts have taken a leaf or two out of the takeover artist's book, emphasising the underlying asset value and cash-generative capacity of what once seemed worthy income stocks.

The equity market has also facilitated takeovers through its greater indulgence of financial risk. Balance sheets that would have caused institutional alarm a few years ago are now tolerated on the ground that the returns on purchased capital exceed anticipated debt servicing costs. The market has instead reserved its wrath for those companies which, through little fault of their own, have translated foreign currency profits at exchange rates that fail to flatter their sterling revenue accounts.

Leaving the electronics sector aside, the least popular companies of 1985 fell into two broad categories: those like BOC which elected to build their own assets rather than buy someone else's, and those like Beecham which failed to advertise in advance the impact of a strengthening dollar on their sterling profits.

For the gilt-edged market, the key development of the year was the relegation of sterling M3 to the role of general trend-spotter and the consequent abandonment of over-funding as a method of keeping broad money in line with its target. While the market was duly grateful for the lower level of gilt sales implied by the shift in policy, it was not slow to notice that the greater emphasis on the exchange rate as a policy instrument was likely to keep real short-term interest rates high.

Interest rates

And so it proved. Soft oil prices and the UK's commitment to the G5 dollar package ensured that short sterling rates remained in double figures despite an improvement in the UK's inflation performance, a drop in short-term interest rates across the Atlantic and tame growth in M0, the Chancellor's favourite monetary aggregate.

For the gilt-edged market to spend a third year locked in a narrow trading range of between 10 and 11 per cent was particularly galling as US bond yields were sliding down towards single figures in response to the Federal Reserve's more accommodating monetary policy.

But, while the UK's fixed-interest market may have been disappointing to the sterling investor, it provided rich currency profits for the dollar-based fund. Much the same was true of the London equity market, which failed to match the spectacular growth of several European rivals but still outperformed the Capital International index in dollar terms. UK institutions again took a cautious approach to overseas investment, missing the swings of Milan and the roundabouts of Singapore.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday December 30 1985

INTERNATIONAL BONDS

Peak volume and innovation

THE INTERNATIONAL bond market has exceeded all but the wildest expectations in 1985, writes **Maggie Urry in London**. New issue volume and secondary market trading have been at peak levels.

It has also been a year of change, however, and many bankers doubt whether the market will ever be the same again. The competition among banks to do more business and the excessive number of houses in the field have had a severe effect on the market.

This month a deal appeared that could point to a new way of doing business in the Eurobond market. Shearson Lehman Brothers International launched a $200m issue for the World Bank, acting as sole manager.

In recent years the accepted method of arranging new bond issues has been for the lead manager to buy the deal and then syndicate it, bringing in co-managers whose job is to place paper with investors.

But the competition for borrowers' business has persuaded houses to offer issuers deals at very attractive terms in order to win the bidding. As a result, co-managers are finding it harder to make money because tightly priced new issues often trade only just within their commissions.

That prompts them to dump the bonds with the bond brokers, virtually forcing the lead managers to buy them back to support the price. Book-runners often end up placing well over half an issue with investors themselves.

Co-managers can then find that any profits they do make are taken away by the lead manager charging "stabilisation" costs to other members of the syndicate. Wise syndicate managers have been particularly selective about the deals they have accepted this year; one bad issue can wipe out the profits from many good ones.

Some lead managers have taught their syndicate members a lesson by making them buy back their dumped bonds at a higher price. Shearson showed that a deal can be far better controlled if no other banks are in it. The lead manager runs the risk that the market will turn sour and leave it with the whole of the issue.

Traders are also concerned that there will not be an adequate secondary market in the paper. However, small co-management groups or even sole managers may be much more common in 1986.

Although the issuing houses may have made little money in 1985, it has been a good year for borrowers. In 1985, as in previous years, the bull market in the fixed-rate dollar sector allowed new issues to be launched on tight terms and still be baled out by the market eventually.

One category of borrower which may not have it so good in 1986 is the US corporate. The abolition of withholding tax in 1984 first led to demands for higher relative yields from their bonds. The growing concern about the strength of these companies and lately the problems that Texaco has faced in the courts have been the final straw and in the coming year corporates may find it much more expensive to raise money in the Eurobond market.

The floating-rate note market has also changed as a result of the increasing competition among issuing houses. One banker said 1985 "was the year we stopped making money in floaters too." Investors' huge appetite for floater paper has encouraged syndicate managers to bid for deals on finer and finer terms, making older issues look expensive.

Borrowers have taken advantage of the trend by redeeming old issues and launching new ones. Perhaps $13bn worth of floater issues have been called this year compared with well under $1bn in 1984. At the same time new-issue volume has risen sharply.

Deals have even come with coupons set below the London interbank bid rate (Libid) and some bankers now expect the traditional reference rate Libor to vanish in 1986. Fees have been pared to a minimum and issue prices set above par.

Fancier coupon-fixing formulae have been introduced. The year has seen a rash of mismatches that take advantage of a rising yield curve. There was also the introduction of minimax issues – where a minimum and maximum level is set for the coupon. Capped floaters, where a maximum coupon is set, were invented too. These have a higher than usual interest rate set, something investors craved. The borrower ends up with cheap funds as it sells the cap.

Another significant move has been the increased use of bonds backed by mortgages, which therefore have a top grade credit rating. This looks set to be a growth area in 1986.

British banks have made good use of the floater market in 1985 by launching perpetual issues which rank under the Bank of England's rules for primary capital.

The banks' desire to win business has caused increased ingenuity among syndicate managers and swap experts to create even cheaper borrowing costs for issuers through new types of structures.

Investors have been offered bonds with warrants, partly paid bonds, even partly paid zero-coupon bonds. Bonds have come with a currency play, or an interest-rate play, all intended to add that little bit of value to give borrowers better terms.

There have been periods when investors have set the pace. In February and again in the summer the dollar sector of the market suffered as buyers went on strike, overwhelmed by the sheer volume of new deals and worried by the downward turn in the dollar and uncertainties over US interest rates, economic growth and the budget deficit.

Other currency sectors have suffered similar investor strikes. The big banks in the D-Mark market called a three-week halt to new issues in February when market conditions deteriorated. The Australian and New Zealand dollar sectors, where new issues came thick and fast in the summer, were badly hit by investor apathy later in the year, forcing yields sharply higher and causing holders heavy losses.

The downtrend in the dollar after its long period of strength showed non-dollar based investors that they could no longer enjoy the double pleasure of a rising exchange rate and falling interest rates.

They have turned to other currencies. As well as the established sectors such as D-Marks, European currency units (Ecu), Swiss francs and sterling, newer ones joined the list. The Scandinavians, the Antipodeans and the other Europeans came in for more attention. The Euro-French franc bond market reopened in April. The Eurolira market started in October. The Euroyen market opened to new types of issues. Borrowers have followed them.

Many of the currency sectors of the market have responded to liberalisation measures imposed or conceded by governments and central banks. The opening of the D-Mark market in May to new instruments and new banks was one of the significant events of 1985.

The introduction of floating-rate notes and zero-coupon bonds, and issues lead by foreign banks, has not only revolutionised business in Germany but has pointed the way ahead to many other countries.

One of the most significant trends of 1985, which looks set to continue in 1986, has been the development of the international equity market. Bonds convertible into shares or with equity warrants have become more common and so has the use of Eurobond distribution techniques to syndicate international placings of shares.

As stock markets around the world have boomed companies have been able to issue shares to raise new money, usually a cheaper method than borrowing through the bond market. If these favourable conditions still prevail in the new year more companies will be tempted into the market.

Regulation will be a subject that crops up again in 1986 as the Financial Services Bill makes its way through Britain's Parliament. Great strides have been taken towards setting up a self-regulatory framework for the Eurobond market and further work must be done in 1986.

EURONOTES AND CREDITS

Securitisation makes its mark

IF ONE THING stands out about 1985 in the Eurocredit and Euronote market, it is that the shift towards securitisation of lending continued, writes **Peter Montagnon in London**.

There seems to be little chance of getting away from the fact that the days of large-scale, straightforward syndicated lending are gone.

More than that, the year saw a rapid process of evolution within the Euronote market as the arrangement of facilities increasingly gave way to the launch by top-rated borrowers of pure Euro-commercial paper programmes which did not require any formal support in the form of standby back-up credit.

There are good reasons why this trend should continue into 1986. First, the Euronote market has acquired some depth as an increasing amount of paper has actually been issued. That has given borrowers the confidence to cut their costs further by doing away with bank back-up credit and saving on the associated commitment fee.

Second, there has been a growing tendency for rates in the Euronote market and the US commercial paper market to converge. Often this has opened up opportunities for borrowers to raise funds more cheaply in Europe than in the US, particularly at the longer end of the commercial paper maturity spectrum.

That being so, there is clearly scope for more paper issues by US corporates seeking to diversify their funding outside Wall Street. US borrowers are already by far and away the largest national group of customers in the Euronote and Euro-commercial paper market.

Third, there is evidence that some borrowers at least have become disenchanted with the tender panel of distributing notes that normally forms part of a full facility.

This is not a universal experience Mr Peter Engstrom, director of Sweden's National Debt Office, says, for example, that he is happy with results from the tender panel auctions of notes under its $4bn facility.

For smaller and less frequent borrowers, however, the appointment of a sole dealer or a small group of dealers is now viewed as more efficient.

That has already seen some borrowers cancel existing note issuance facilities and replace them with pure commercial paper programmes. Nestlé, the Swiss food conglomerate, did just this in November when it appointed Swiss Bank Corporation as sole dealer in an unlimited programme of Euro-commercial paper and shortly afterwards cancelled a $1bn facility arranged earlier.

As the new year begins there seems to be no sign of a let-up in the flow of such programmes, even though some bankers increasingly wonder how easy it would be to place Euro-commercial paper if short-term rates began to move steeply up.

One factor behind the market's success in 1985 has been that in a declining rate environment with a normal yield curve, dealers have been able to place paper with banks looking for speculative profits as rates dropped.

For the time being, however, there is no evidence of this happening and the assumption of most market participants is that the volume of Euro-commercial paper issues will continue to grow in 1986. That may be good news for the limited number of investment banks geared up to deal in such issues, but it spells further disappointments for those bankers who are still looking for a revival of old-fashioned syndicated lending.

One problem about the new style market is that statistics have begun to give conflicting signals which makes them hard to interpret. Figures produced by the banking magazine Euromoney do, however, give an indication of the speed with which the market has developed.

They show that the volume of Euronote facilities and Euro-commercial paper programmes in the first 11 months of 1985 was $41.56bn compared with just $17bn in the whole of 1984.

Talk to any banker in the syndicated loan market and he will also tell you that business there has become flat whatever the figures say. The truth is that those borrowers which were once eager to raise money in the syndicated loan market are now turning their attention to floating-rate note issues in the bond markets, which they regard as cheaper.

When this trend started it was confined to the absolute top-rated borrowers such as Sweden, but it has spread down the credit risk ladder. Portugal, for example, considers itself too good a risk to waste time on syndicated loans. Algeria, which still raises some credits, launched a $500m jumbo floating-rate note in May.

Other lesser-rated credits have simply dropped away altogether because they are being forced to reschedule their debts. Some bankers argue that this process has led to the decline in the syndicated loan market being overstated and certainly it may well be one reason why the varied statistics for the total volume of international bank credit business now disagree widely on total amounts. Some include reschedulings in the total; others do not.

Had the reschedulings not become necessary, debtors like Mexico, Brazil and Yugoslavia would have refinanced their debts normally in the syndicated loan market as they fell due. Rescheduling simply removes the voluntary aspect of this refinancing, but the end result is still a bank credit agreement.

Those who want to defend the relative position of bank lending vis-a-vis securities business can therefore argue with some logic that a high volume is still being done when the multi-billion rescheduling agreements of 1985 are taken into account.

So long as interest payments on rescheduled debt continue to flow, the high margins still generate earnings that can offset loss of income elsewhere where margins have now dropped.

The flaw in this argument is that rescheduling is hardly the stuff of which a flourishing and competitive market in international credits is made. Although some bankers look forward to the day on which Latin American borrowers, once the mainstay of the Eurocredit market, return in force to raise money on a voluntary basis, the chances of this happening on a large scale in the short run look slim because the overhang of existing debt there is simply too large.

Here and there, however, isolated examples of such voluntary lending could still be expected to appear in 1986. Ecuador, which recently signed a $5.6bn rescheduling agreement with its commercial banks, is now regarded as one of the region's stronger credits. Uruguay has been working on a $45m co-financing deal with the World Bank which has brought in lenders that had no previous exposure to the country.

That left Eastern European borrowers among the most active in the syndicated loan market last year. According to Morgan Guaranty, the US bank, those countries nearly doubled their borrowing in the syndicated loan market in the first three quarters of 1985, taking a total of $4.08bn compared with $2.5bn in the same period of 1984.

Expectations are that several East European countries will continue to be active borrowers in 1986 as they raise funds to revitalise their economies. In that case they are likely to continue tapping the Eurocredit market.

Although Hungary has done one Euronote facility, most Comecon borrowers mistrust this market as they fear it leaves them vulnerable to an inability to sell their notes in the event of a sudden change in the political climate.

The bond market is not viewed as an option because most investors became reluctant to buy Comecon bonds in the wake of the debt crisis that hit Poland in 1981.

As one syndicated loan banker put it: "Comecon rode to the rescue of the syndicated loan market in 1985." It looks as though its help will be needed in 1986 as well.

US MONEY AND CREDIT

Sparkling performance on Wall St.

THE US CREDIT markets turned in a stellar performance in 1985 — and went out in style. The yield on the 30-year *Treasury long bond now stands* at a six-year low of 9.3 per cent compared to over 11.5 per cent 12 months ago.

For investors, corporate treasurers and Wall Street pundits alike, 1985 will be remembered as a year of surprises. They included financial failures, a faltering domestic economy, a switch in US foreign exchange policy, and the first hint of fiscal realism on Capitol Hill.

Underpinning the credit market rally — most obvious in the closing months of the year — was an accommodative Federal Reserve Board driven by the need to keep the US economic locomotive rolling into a fourth year.

In fact the Fed set the market tone from the outset. The year began on a high note after *the Fed cut the discount rate* to 8 per cent just days before Christmas 1984. In spite of high expectations the Fed failed to deliver a repeat performance this time around — but with such a move still widely expected, the omission did little to dampen festive spirits.

Early in 1985 President Ronald Reagan switched James Baker and Donald Regan, putting Baker into the Treasury Secretary's job in a move which has subsequently led to major changes in US economic and foreign exchange policies culminating in the New York Plaza Hotel G-5 meeting in mid-September.

In the process Treasury Secretary Baker reversed the long standing US policy of non-intervention in the foreign exchange markets, and together with the Fed and the world's central banks sent the dollar tumbling.

Despite of the early fears that the dollar decline — the currency is now some 25 per cent lower against some currencies than its February peaks — would spark a bond sell-off by foreign investors, particularly the Japanese, it has not happened yet. *In fact, according* to Salomon Brothers figures, foreign investors purchased $33bn of debt securities in 1985, and are expected to purchase a *similar amount* in 1986.

One factor explaining foreign investor appetite for dollar denominated securities is the continuing high level of real US interest rates. Despite the decline in the dollar — and the fact that six-month T-bill rates have declined by almost 110 basis points in the last 12 months — the US money market rates are still attractive in *real terms.*

But other factors have also been at work. After struggling with taxes and the $200bn budget deficit for most of the year *Congress finally* passed the so-called Gramm-Rudmann balanced budget amendment early this month.

Though still shrouded in doubts, the amendment appears to promise progressively smaller deficits and a balanced budget by 1991. At any rate Congress's apparent determination *to come to grips with a deficit* which — in spite of cuts — is still expected to generate a public sector borrowing requirement of $180bn in calendar 1986, helped to spur the bond market rally, sending long yields crashing through the 10 per cent barrier in late November.

But before that the path was not all smooth. Interest rates backed up in early spring after Fed chairman Paul Volcker told Congress that the easing had ended. For once at least chairman *Volcker's pronouncement* was not the last word.

Burdened by the weight of surging imports, fuelled by the still overvalued dollar, the US *economy limped along at 2 per* cent in the 1985 first half.

At the same time pressures in the US financial system continued to grab the headlines. First came the failure of a small Florida government bond dealer called ESM Government Securities. Massive losses on repurchase deals with ESM triggered a saving bank crisis in Ohio resulting in the first extended *"bank holiday" since the* depression in that state.

Then came other problems in the fringe government securities market — which have since *led to new plans for market* supervision — and problems at state insured thrifts in Maryland. Meanwhile, the farm bank sector began to reel under the weight of agricultural problems and the commercial banking system — though generally buttressed by tougher capital requirements and closer regula*tion — showed the strains of a* still patchy economic recovery. A post depression record number of over 110 commercial banks failed in 1985.

The Fed, apparently responding to these pressures, cut the discount rate in May to 7.50 per cent and has maintained a relatively stable accommodative monetary policy ever since — as evidenced by the remarkably steady Fed funds rate.

But the relatively stable US short-term money market rates and the prime rate which *currently stands at 9.5 per cent* compared to 10.75 per cent a year ago, belie a more fundamental shift in market mood.

Borne out of the prospects *for continued slow and steady* non-inflationary economic growth, Congress's deficit cutting package and the Fed's monetary flexibility — in spite of the above-target M1 growth — the mood of credit market investors has grown increasingly more bullish in recent months. As a result the Treasury yield curve has flattened dramatically to around 200 basis points.

Meanwhile the rally in the credit markets has helped to absorb a flood of new domestic corporate offerings.

Overall business borrowing in *1985* grew by an estimated *10.5* per cent or $115.1bn, according to J. P. Morgan estimates — including a 14.5 per cent or $60.8bn increase in corporate bonds and notes.

In part this surge in borrowing reflected a response to favourable credit market conditions, but it also reflected the continuing substitution of debt for equity in corporate America —a process hastened by the merger and leveraged buy-out wave, and the anti-takeover defences erected by some corporations.

This trend of rising debt-to-equity ratios has already attracted the attentions of the Fed and others who are concerned about its implications for corporate creditworthiness.

Indeed, as J. P. Morgan notes, the ascendancy of the junk bond market — bonds rated BA or less — is implicit in the market statistics which show what junk bond offerings accounted for almost 30 per cent of the total offering in 1985, al*most triple the average before* the current expansion.

These concerns are also apparent in actions of the credit rating agencies. Since the start *of the current expansion, down*gradings of non-financial corporations have exceeded upgradings by a record 165.

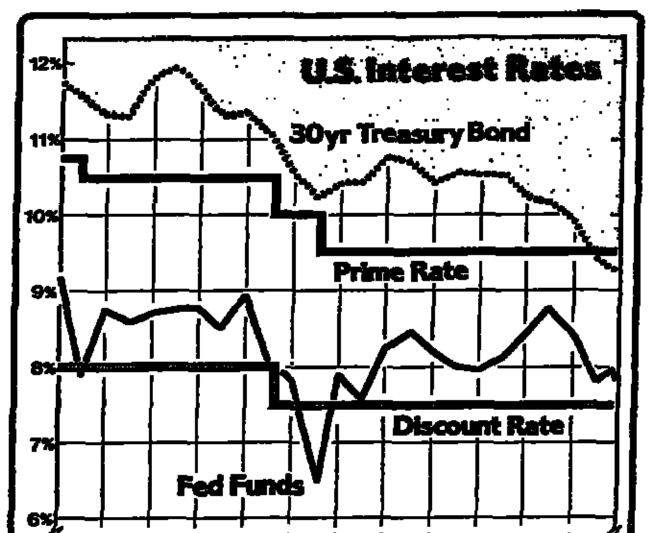
In the US economy itself most *private sector* economists are predicting that the Fed's current accommodative bias coupled with the lower dollar will result in a modest upturn in real GNP growth in 1986 to around 3.5 per cent on a fourth quarter to fourth quarter basis.

However, they also generally believe the dollar's decline could lead to a slight increase in inflation and in interest rates at some stage. And they also agree that several special uncertainties could have a negative impact on the performance of *the US credit market in 1986.*

Among these they cite the key "testing period" for Gramm-Rudmann when the fiscal 1987 budget begins to take *shape.*

But the toughest task for individual investors and portfolio managers alike must be what to do for an encore after the sparkling performance in 1985.

Paul Taylor



UK GILTS

A year of curiously low activity

THE MOST striking thing about the gilt-edged market in 1985 was just how little it stirred.

The January sterling crisis, interest rates for a time at 14 per cent, the subsequent rebound in the pound's value, the suspension of broad money targets, and the abandonment of "overfunding" should have added up to an exciting year.

Instead, the market's volatility was at its lowest for more than a decade. Yields for key long-dated issues moved in a range of little more than 1 percentage point—between 10 and 11.1 per cent.

In contrast the yield on the US long bond fell by more than 2 points to stand at 9.3 per cent by the end of the year, reversing the advantage previously held by the US market.

The Treasury would claim the dull UK performance as a mark of success—underlining investors' confidence in its medium term strategy, despite the occasional flurries on foreign exchange markets and a temporary blip in the inflation rate.

But if gilts were stable they were by definition also disappointing. Stocks across all maturities were easily outpaced by equities and overall returns in the index-linked sector ironically failed to keep pace with inflation.

Calculations by broker Wood Mackenzie show a yield of around 16.5 per cent from the London stock market, against an overall return of 11.4 per cent from high-coupon long gilts.

Rising yields on index-linked stocks left investors in that sector with a return of just 2.9 per cent, barely half the inflation rate over the year.

The prospects for 1986 do not look significantly more exciting.

From an international perspective the omens for bond markets are encouraging. The recent Economic Outlook published by the Organisation for Economic Co-operation and Development (OECD) underlines the continuing process of *disinflation expected in industrialised countries in 1986.*

With oil and other international commodity prices expected to remain weak and *spare capacity in virtually* all the major economies, the OECD *foresees the possibility of a steep reduction in the level of* world interest rates.

That expectation, already *reflected by the* rally in the US bond market, has been heightened by the recent progress towards reducing the Federal deficit, despite the uncertainties *generated by the rapid growth* of the US money supply.

In Europe, the hope is that the continuing weakness of the dollar will allow governments to ease their monetary policies without the threat of higher inflation.

There are also some positive signs on the *domestic front.*

Britain's inflation rate is widely expected to be below 4 per cent by the middle of 1986 and not much above that by the end of the year. That should allow at least some fall in short-term interest rates from the present 11½ per cent.

The Treasury's decision to abandon "overfunding" through the gilt-edged market to massage the growth rate of sterling M3 will significantly improve the supply prospects.

Broker W. Greenwell, for example, estimates that the authorities' net gilt sales should average only £400m per month in the financial year starting in April, compared to the £650m average seen over the past five years.

Foreign buying of gilts—which emerged as a key factor in the market's rise in 1985 as overseas investors bought an estimated £2.75bn—could also continue to underpin the market as long as sterling holds steady.

The outlook is not, however, wholly reassuring. An immediate concern must be the possibility that the run-up to the Spring will see a further fall in the oil price.

The foreign exchange market's reaction to the OPEC meeting earlier this month *demonstrated vividly just how* vulnerable the pound remains to developments on the oil market. The idea that interest rates might actually have to *rise no longer seemed quite so* fanciful.

So far the Treasury has headed off a crisis by giving all the right signals—lower inflation will come before tax cuts, fiscal policy will remain prudent and monetary policy tight.

There remain considerable doubts, however, as to whether in the end Mr Lawson will be able to resist the political pressures for lower taxes.

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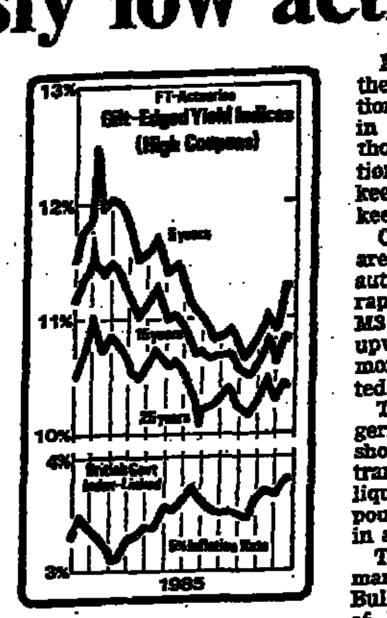
There is also concern about the longer term outlook for prices if wages continue to *grow at their present pace and* productivity growth does not pick up.

If the OECD report highlighted the general disinflation throughout the industrialised world it also singled out Britain as perhaps the only major economy where earnings had not adjusted to higher unemployment and the slower pace of price rises.



Most independent *forecasters* therefore have *Britain's* inflation rate picking up again in the second half of the year, though the general presumption is that the Treasury will keep policy tight enough to keep it below 5 per cent.

On the monetary front there are further uncertainties. The *authorities'* explanation of the rapid growth rate of sterling M3 over recent months—an upward shift in the demand for money—has been widely accepted in the market.

There remain, however, lingering doubts as to whether a shock to the economy would translate this build-up of liquidity into a weakening pound or an inflationary surge in asset prices.

The danger was neatly summarised in the latest Quarterly Bulletin published by the Bank of England. At current prices and interest rates the liquidity is willingly held, but at lower rates it might not be.

Those factors, plus the political dimension expected to enter the market as the general election approaches, have led economists like Stephen Lewis of Phillips and Drew to forecast another pedestrian performance in the gilt-edged market.

"Although short-term rates are likely to ease slightly in line with US rates, longer-term inflation prospects will probably not be sufficiently favourable to justify a substantial fall in gilt yields," he comments.

But there is, of course, one respect in which excitement is guaranteed in 1986. October will see the formal replacement of the present single capacity system of jobbers and brokers replaced by 29 (on present plans) primary dealers.

A foretaste of the more active and sophisticated trading this promises has already been seen in the expanding futures and options markets. And the barriers in the present market are likely to start crumbling well before *the formal start-up* date.

The timing of this injection of hundreds of millions of pounds of additional capital *into the gilt-edged market, how*ever, does not appear the most opportune—it will coincide after all with a shift in official funding to the equity market.

Philip Stephens

Swiss banks set up in Germany

BY JOHN DAVIES IN FRANKFURT

THE SWISS are moving in to West *Germany* with bustle and ambition. In the past 12 months, all three main Swiss banks have either bought established banks or set up their own operation in *a determined "invasion" of* their northern neighbour.

The latest move has come with the decision of Union Bank of Switzerland (UBS) to *buy Deutsche Laenderbank, an* institution rich in history and with a dazzling propensity to change its name.

Ironically, UBS is buying back a bank which it once owned. Deutsche Laenderbank passed into UBS's hands in 1967 but most and then all of it was later taken over by Dresdner Bank of West Germany, which now is returning it to the Swiss.

UBS, which has been carefully scouting around for months for a possible acquisition, is in fact following hard on the heels of its rivals—Credit Suisse and Swiss Bank Corporation (SBC).

Credit Suisse pounced in Germany just *a year ago* by negotiating to take over Grundig Bank, a private bank associated with Mr Max Grundig, the audio-video equipment pioneer. It followed this up with an even greater coup by gaining control of Effectenbank-Warburg, an internationally known private bank.

Since then, Credit Suisse has been busily bringing these operations together and has been recruiting staff from the ranks of its West German counterparts.

SBC, meanwhile, has been going it alone, setting up its own German subsidiary from scratch. This operation, with starting-out capital of DM 100m ($40m), has just begun business in Frankfurt with much fanfare *and publicity.*

The Swiss point out that their moves into Germany are inevitable in view of the changed international capital markets scene. *To offer competitive* services to customers, they say, banks these days must be directly involved in all major financial centres.

In line with this trend, the Germans themselves have been increasingly setting up operations in Switzerland. Any inclination the Germans and *the Swiss may have had in the* past to refrain from poaching has given way to a new kind of co-operation between them, with a somewhat more competitive edge.

The Swiss had their eyes on Germany well before the Bundesbank, the central bank, gave the green light for various *financial market liberalisation* measures earlier this year.

The Bundesbank has been keen to bolster Germany as a financial centre vis-a-vis such *major magnets to international* money as London, New York and Tokyo. For this reason, it decided to allow subsidiaries of foreign banks to lead-manage D-mark bond *issues for foreign* borrowers from last May and to permit such innovatory financial instruments as zero coupon bonds and floating rate notes.

The Swiss, for their part, have recognised that Germany is simply too important to overlook and offers rich prospects. The Germans themselevs are apt to see the Swiss moves less as a threat than as a domenstration of faith in West Germany's (and Frankfurt's) role as an international finance centre.

The Swiss aims in Germany are broad-ranging. Mr Kurt *Martin,* the *chief* executive of SBC's new Frankfurt-based subsidiary, says it intends to be a universal bank with a wide spectrum of services, including *stock market business (though* without small-scale retail banking).

SBC has indicated that it hopes *fairly quickly* to lead *manage a foreign D-mark bond* issue.

With disarming frankness, Mr Francis Christe, a director-general of the Basle-based SBC, *says:* "We have come to Frankfurt to win additional business." SBC has not brought any "dowry" to Frankfurt in the form of business transferred from its head office, he says.

But SBC stresses that it wants to co-operate with the local banks. In running its new issue business, says Mr Martin, SBC will act "in co-operation with the German banks and not against them." This is also SBC's policy in London, he adds.

SBC executives are full of *praise* for local bankens for welcoming them with open arms in Frankfurt. "We have been helpful to the big German banks setting up in Switzerland, but even so, we never dared to hope that we would be met with support from so many quarters," says Mr Martin.

In recent months there have been *many rumours* in stock market circles about how UBS might gain a foothold in Germany. Various private banks were the subject of speculation as takeover candidates, in addition to the sizable BMF-Bank.

In taking over Deutsche Laenderbank, UBS is acquiring an institution with assets of more than DM 3bn

Sulzer expects to climb out of the red

By John Wicks in Zurich

SULZER BROTHERS, the Swiss engineering concern, expects to return to the black this year. *Earlier the group had forecast* "at least a balanced profit-and-loss account" for 1985.

During the first nine months of 1985, total new-order value *amounted to SFr 3.7bn* ($1.8bn), compared with SFr 3.4bn for the corresponding period of last year, with almost all divisions contribut*ing to this improvement.*

Sulzer also discloses a number of acquisitions including Plasmatechnik and MBR-Bioreactor in Switzerland, plus *the American turbine-servicing* company, Hickham Industries.

For 1984 Sulzer reduced net losses from SFr 102m to SFr 18m, but passed its divi*dend for the second year run*ning.

Otis bids for Saxby minority

By Our Financial Staff

OTIS ELEVATOR has made a FFr 1.3m ($173,000) bid for the shares it does not own in Saxby, a French manufacturer of fork-lift trucks.

Otis, part of the United Technologies group of the US, already controls 81.35 per cent of Saxby. It is offering FFr 50 a share for the outstanding balance.

Trading in Saxby shares was suspended last August when Kaye, the UK handling equipment group, made a bid to take over *Saxby's* subsidiary Saxby Manutention.

Madrid agrees to boost Seat for takeover by Volkswagen

BY DAVID WHITE IN MADRID

THE SPANISH Government has agreed to cover the Pta 185bn ($1.2bn) needed to set the state-owned *Seat car company on sound* financial footing in preparation for its planned takeover by Volkswagen of West Germany, as reported in brief on Saturday.

The package comprises Pta 167.6bn of debt which the Government is to assume on behalf of the state INI holding group, present shareholders of Seat, and a further Pta 17.6bn to boost Seat's liquid funds.

Seat's outstanding debt has been one of the main obstacles in negotiations with Volkswagen, which has had an industrial agreement with Seat since 1982. Volkswagen plans to take up a 51 per cent stake in Seat.

Special credits to meet the cost of servicing the debt will be charged to the 1985 and 1986 state budgets.

At the same time, INI disclosed that it had signed a fresh memorandum of understanding with Volkswagen more than a week ago laying *down the main lines of an agree*ment and setting a target for increasing Seat production by 25 per cent in the next four years.

The plan involves investment of about Pta 500bn to update the group's manufacturing facilities and develop new models. Seat's staff of 23,000 is due to be reduced by 2,000 next year through early retirement and other measures agreed with unions.

In a depressed Spanish market, which has only *recently* shown signs of revival, Seat has been making losses at a rate of Pta 35bn a year.

INI said the provisional agreement with Volkswagen laid the basis for Seat's future viability and guaranteed "an important volume" of exports.

It said the financial restructuring plan would have been essential to enable Seat to face competition in the EEC from next year, independent of the negotiations with Volkswagen.

The financial costs which Volkswagen insisted should be covered included charges arising from changes in accounting practices, bringing them into line with international criteria.

Seat's association with Volkswagen followed the withdrawal of Fiat as main shareholder in the Spanish company, with which it had been associated since Seat was set up in the *1950s. Seat produces Fiat*-derived models simultaneously with the Volkswagen Polo and its own recently introduced saloon cars.

The agreement with Volkswagen envisages raising production to at least 400,000 vehicles a year from 1990, compared with 320,000 this year and a peak of 365,000 in 1974.

Distillers' profit boost in Argyll rejection

BY MARK MEREDITH IN EDINBURGH

Distillers will today tell shareholders of a 30 per cent profits increase over the year from international whisky sales to back its rejection of the £1.8bn takeover bid from the Argyll group of Mr James Gulliver.

The defence document from Distillers will also point to a 2 per cent increase over the year in the company's share of the home whisky market.

Although the bid is expected to be given the go ahead by the Office of Fair Trading and not be referred to the Monopolies and Mergers Commission, neither Distillers nor Argyll *would comment yesterday.*

Distillers' management have hoped for a referral, claiming that an Argyll takeover could harm the industry and thus would not be in the public interest.

The Distillers document will respond to Argyll's criticism of Distillers' market performance and claim greatly improved profits internationally and better domestic sales volume.

Figures quoted by Distillers will show profits from international trading for the past year rose by 30 per cent to £227m compared with a 6 per cent increase by Seagrams to £178m, a 4 per cent increase by Hiram Walker to £150m and a 24 per cent improvement by International Distillers and Vintners to £127m.

Distillers' total group pre-tax profits advanced from £191.6m to £236.2m for the year ended March 31, 1985.

Shareholders will be told how Distillers have concentrated on improving its profits per case *rather than aiming for volume* sales.

Mr James Gulliver, chairman of Argyll, has said he would overhaul Distillers' international marketing with a much tighter hold on the activities of local distributors.

In the home market the defence document will show a 37 per cent increase in sales volume for the main Johnnie Walker Red Label between April 1985 and September 1985, a 22 per cent *increase for Black* Label, 23 per cent increase for White Horse and a 34 per cent increase for Dimple Haig—all Distillers whisky blends—as well as a 51 per cent rise for the company's single malt, Cardhu.

Mr Alastair Grant, manager director of Argyll, said yesterday that the main plank of Distillers' defence against its *bid so far had been to provoke* a referral to the Monopolies and Mergers Commission. Mr Gulliver is expected to call on the Office of Fair Trading today. The OFT will give its decision by January 7.

Distillers' desire to improve its image in the face of a bid from a company much smaller than itself will include a 15-minute video available to shareholders and featuring younger members of senior management.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Highgate and Job. Stuvert Zigomala.

FUTURE DATES

Interim—

Wyndham .... Dec 31

Finals—

London Scottish Finance .... Jan 13

Reuters .... Feb 12

Winterbottom Energy Trust .... Jan 7

Phoenix Property in £0.6m purchase

Phoenix Property & Finance is buying Portcullis House in India Street, Glasgow, for £600,000 through a complicated transaction involving two other companies.

Phoenix will be paying for the acquisition with the issue of 1.2m ordinary shares. On Friday Phoenix shares closed 2p up at 57p.

The structure of the deal is that Phoenix buys a company called Fairplace for £600,000. Fairplace has no significant assets or liabilities, but has entered into an agreement to *purchase Slatebase, a company* that has Portcullis House as its sole asset.

The market value of Portcullis is £6m and the net value, after deducting a contingent liability to corporation tax and repaying bank borrowings is approximately £900,000.

Mr Michael Norris, one of the vendors of Fairplace, will be appointed a director of Phoenix.

Phoenix has also agreed the sale of the remaining flats of its Montrose House property for £3.1m.

Negotiations are also taking place to acquire the property trading activities of Mr Damien Aspinall with a view to him becoming an executive director of Phoenix.

Archimedes

Net asset value per 50p capital share of the Archimedes Investment Trust rose by 53.61p to 285.28p in the year ended October 31 1985.

Gross income for the 12 months improved from £183,057 to £210,890, being dividend and interest income of £202,890 (£174,747) and other income of £8,080 (£8,310).

Tax rose from £46,685 to £53,403 to leave earnings of 10.25p (8.86p) per share. A *second interim dividend in lieu* of a final of 5.75p is being paid which lifts the net total by 1.15p to 10.15p.

Bootham

The progress reported at the interim stage at Bootham Engineers continued in the second half to more than double pre-tax profits for the year from £350,913 to £780,193.

Turnover in the 12 months to October 31 1985 rose 17 per cent from £8.37m to £9.77m. Earnings per share surged from 28.58p to 50.25p.

The group, which is a specialist mechanical engineer and garage proprietor, is recommending a final dividend of 10p, making 12p for the year, compared with a single final payment of 6p last year.

Tax paid for the period rose from £53,424 to £254,497. Extraordinary debits fell from £287,298 to £53,750.

Chairman confident as RHM makes good start to year

ALTHOUGH flattered by the transition to average exchange rates for the translation of overseas earnings, taxable profits of Ranks Hovis McDougall expanded by 41 per cent to a record £71.5m for the year ended August 31 1985 and were achieved mainly from benefits arising from new product development, capital investment, and cost control.

Sir Peter Reynolds, chairman, tells members in his annual review that the current year's bad wheat harvest makes it difficult to forecast the outcome, although some price increases have already been made.

"Otherwise we have made a good start and I expect to be *reporting another satisfactory* year," he states.

The cereals division had another excellent year, directors say, its profits showing the *combined benefits of* a continuing flour mill redevelopment programme and the record 1984 UK wheat harvest.

The group's major investment projects at the Greenford, Crawley and Leighton Buzzard bread bakeries were completed by the summer and are now on stream. Directors point out that this completes the redevelopment plan in *the bakery sector* which began four years ago.

They add that a "careful rationalisation programme has matched investment" and during 1984/85 nine old and inefficient bakeries were closed.

In the grocery division increased sales and continued attention to cost control and efficiency enabled it to achieve significantly higher profits, directors say.

Meeting, Royal Lancaster Hotel, London W, January 23 at noon.

Asset Special reveals Guildhall deal details

DETAILS ARE revealed of the acquisition of Guildhall Investment Management by Asset Special Situations, the investment trust, which announced the deal on November 23.

Asset has reached conditional agreement to acquire Guildhall for 2.25m ordinary shares and £90,000 of convertible redeemable unsecured loan stock, convertible into a maximum of 900,000 ordinary.

Guildhall was formed by Mr Brian Banks, chief executive of *the company—he is also a direc*tor of Asset—in conjunction with British Land.

At completion, 1.5m ordinary will be issued to a wholly-owned subsidiary of British Land, 750,000 ordinary and £75,000 of convertible loan stock to Mr Banks, and his family trust, and £15,000 of convertible loan stock to two senior Guildhall employees.

Holders will have the right to convert either loan stock in equal instalments on January 2 1987, 1988 and 1989 into 900,000 *ordinary.*

On Friday Asset shares closed 1p up at 78p.

Pre-tax profits of Guildhall amounted to £102,175 for the year ended March 31 1985 and directors are forecasting profits of not less than £170,000 for the current year. As at March 31 1985 Guildhall had net assets of £178,981.

British Land, two of its subsidiaries and associated pension funds have agreed, conditionally on the acquisition being *completed, to place 1.33m ordinary* of Asset, which they already own, and 1.5m ordinary which a British Land subsidiary will receive as consideration for its holding in Guildhall.

BIDS AND DEALS IN BRIEF

MARSHALL'S UNIVERSAL, the Croydon-based distributor of vehicles, components and paper and board, has *conditionally* agreed to buy 49 per cent of Skelmersdale Packaging, maker of corrugated board and cases. The consideration will be an immediate cash payment of *£980,00 with a further payment* to take the total to four times pre-tax profits in the year to December 31 1985. There is an option to acquire the balance in 1989. In the year to the end of December 1984, Skelmersdale made adjusted taxable profits of £423,000 and at that date had net assets of £709,000.

BRIKAT GROUP says agreement has been reached for the *acquisition* of Cytek (UK) and Minster Micro Computers. These will add two business centres to the existing Brikat business centres division and will provide an increase in turnover from the retailing of *micro* computers and software and the provision of associated maintenance services. The initial consideration for Cytek is to be satisfied by £50,000 cash on completion and a further payment *equal to net assets as at com*pletion will be satisfied by the issue and allotment of shares.

DELANEY GROUP announced on July 4 that contracts had *been exchanged* for the sale of property in Bucks for a cash consideration of £505,000. The sale has become wholly unconditional and is to be completed by February 4 1986. In the *chairman's statement which* accompanied the interim results he referred to difficulties over output in July and August. Following improved output in subsequent months, the board now expects better than *anticipated results for the second half.*

BURGESS PRODUCTS (HOLDINGS) has contracted to sell the businesses of two of its wholly owned subsidiaries, Burgess Products Company and Burgess Industrial Silencing to Nelson Industries of Stoughton, Wisconsin, US, at a premium of £120,000 over their combined net asset value. Net assets of the businesses at the date of disposal are estimated at £2m for which Nelson is to pay £500,000 in cash and the balance in equal quarterly instalments over a four*year period which is to be* covered by a bank guarantee to Burges and subject to interest at 2 per cent over Libor.

SHARE STAKES

CHANGES in company share stakes announced over the past *week include:*

J. Sainsburys — director, Sir John Sainsbury, has reduced his holding by 271,430 shares.

Ferranti—Dr A. A. Shepherd, director, purchased 75,000 shares at 49.7p and 25,000 at 81.6p. He then disposed of 100,000 at 137p. Mr P. F. Dorey, director, acquired 18,164 shares increasing his holding to 23,224 shares.

Robert Moss — Mr G. E. C. Pearson, director, sold 10,000 ordinary shares.

Munton Brothers — Mr D. J. *Sebire, director, bought 50,000* ordinary shares.

Thermal Scientific — chairman Mr H. R. Sykes, disposed of 185,408 shares.

Telecomputing — the following sold shares: director Mr J. P. Garrick 20,000, director Mr B. Panton 50,000 and Telecomputing Pension Fund 32,500 shares.

Connells Estate Agents—Mr J. Constantine has reduced his beneficial holding by 30,000 ordinary shares to members of his family and his holding now stands at 5.4 per cent. Mrs M. A. Simpson purchased 30,000 ordinary and has increased her holding to 2.3 per cent.

J. W. Spear and Sons—Chairman Mr F. A. Spear sold 10,000 beneficially ordinary shares and now holds 217,154 shares, plus 592,758 non-beneficial shares.

McLeod Russel—Director Mr N. Openshaw, disposed of 20,000 shares.

Over-the-Counter Market

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,006	Ass. Brit. Ind. Ord. ...	118	—	7.3	6.2	7.2	8.7
—	Ass. Brit. Ind. CULS...	121xd	—	10.0	8.3	—	—
3,994	Airsprung Group	69	+1	6.4	9.3	11.5	16.0
975	Armitage and Rhodes...	39	—	4.3	11.0	4.8	5.8
53,534	Bardon Hill	167	+1	4.0	2.4	21.1	22.0
3,025	Bray Technologies	55	+1	3.9	7.1	8.7	7.7
476	CCL Ordinary	136	—	12.0	8.8	3.4	3.2
1,213	CCL 11pc Conv. Pf. ...	97xd	—	15.7	16.2	—	—
6,959	Carborundum Ord. ...	116	—	4.9	4.2	5.7	9.0
637	Carborundum 7.5pc Pf.	91xd	—	10.7	11.8	—	—
4,461	Deborah Services	57	—	7.0	12.3	5.9	7.8
3,034	Frederick Parker	21	—	—	—	—	—
1,365	George Blair	74	+2	—	—	3.1	5.6
2,356	Ind. Precision Castings	58	+1	3.0	5.2	15.3	12.8
13,940	Isis Group	175xd	—	15.0	8.6	13.5	20.1
5,937	Jackson Group	114	+2	5.5	4.8	7.7	7.7
40,490	James Burrough	292	—	15.0	5.1	9.2	9.2
3,293	James Burrough 9pcPf.	95	—	12.9	13.6	—	—
7,607	John Howard and Co...	73	—	5.0	6.9	5.7	9.0
3,240	Linguaphone Ord.	180s	—	—	—	6.6	6.9
—	Linguaphone 10.5pc Pf.	90s	—	15.0	16.7	—	—
18,808	Minihouse Holding NV	575	—	6.9	1.2	25.1	23.9
714	Robert Jenkins	70	—	—	—	9.0	20.0
1,200	Scruttons "A"	30	—	—	—	—	7.7
1,635	Torday and Carlisle ...	67	—	5.0	7.5	3.4	6.1
1,473	Trevian Holdings	325xd	—	4.3	1.3	18.5	18.2
6,437	*Unilock Holdings ......*	*41*	—	*2.1*	*5.1*	*11.1*	*10.9*
16,664	Walter Alexander	130	—	6.6	6.6	7.4	9.0
4,668	W. S. Yeates	200	—	17.4	8.7	6.7	9.8

s=Suspended.

BASE LENDING RATES

ABN Bank	11½%	■ Guinness Mahon	11½%
Allied Dunbar & Co.	11½%	■ Hambros Bank	11½%
Allied Irish Bank	11½%	Heritable & Gen. Trust	11½%
American Express Bk.	11½%	■ Hill Samuel	§11½%
Amro Bank	11½%	C. Hoare & Co.	11½%
Henry Ansbacher	11½%	Hongkong & Shanghai	11½%
Associates Cap. Corp.	12 %	Johnson Matthey Bkrs.	11½%
Banco de Bilbao	11½%	Knowsley & Co. Ltd.	12 %
Bank Hapoalim	11½%	Lloyds Bank	11½%
Bank Leumi (UK)	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Citibank NA	11½%	Royal Trust Co. Canada	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp.	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12 %
Co-operative Bank	*11½%	Yorkshire Bank	11½%
The Cyprus Popular Bk	*11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptrs.	12½%		
Grindlays Bank	‡11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8.00% gross.
§ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
‖ Demand dep. 8%. Mortgage 13%.

FINANCIAL TIMES STOCK INDICES

	Dec. 27	Dec. 24	Dec. 23	Dec. 20	Dec. 19	Dec. 18	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	83.00	82.93	82.94	82.88	82.85	83.70	84.57	78.02	127.4	49.18
Fixed Interest	88.92	88.96	88.96	88.75	88.72	88.68	90.38	82.17	150.4	50.53
Ordinary	1123.3	1116.2	1113.5	1108.6	1114.9	1104.6	1146.9	911.0	1146.9	49.4
Gold Mines	239.6	243.0	244.8	254.4	256.4	250.1	536.9	237.9	734.7	43.5
FT-Act All.Share	676.10	673.50	672.30	670.98	672.66	667.66	702.06	581.68	702.06	61.92
FT-SE100	1398.9	1391.5	1388.6	1386.6	1390.7	1379.8	1455.5	1206.1	1455.5	986.9

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or —	Net Div.	Times covered	Gross Yield	P.E. Ratio
160	F.P.	15/1	213	195	Abbott Mead Vickers	200	.....	bg2.8	3.5	2.0	20.8
155	F.P.	9/1	196	181	Ashley (Laura) 5p	182	.....	bg1.88	3.1	1.5	31.2
§110	F.P.	—	120	115	Barham Group 2½p	117	—1	ε2.0	3.6	2.4	28.5
587	300	—	307	297	Cable & Wireless 50p	307	+2	F9.5	2.9	4.4	8.7
§63	F.P.	—	70	66	‡Chancery Securities	69	.....	bg2.2	2.5	4.6	18.7
§86	F.P.	10/1	87	85	‡Chart. Foulks Lynch	86	.....	bg3.0	1.9	6.0	15.0
§110	F.P.	18/12	134	120	‡Cheshire W'foods 5p	122	+1	bg3.65	2.0	4.3	16.3
120	F.P.	—	130	127	Chetwynd Streets 5p	128	.....	b2.11	3.5	5.5	17.5
§95	F.P.	17/1	100	97	‡Cranswick Mill 10p	97	.....	bg6.38	2.2	7.8	8.3
§74	F.P.	8/1	86	71	‡Crusts 5p	82	.....	bg0.7	9.6	1.2	8.8
§125	F.P.	10/1	155	130	‡Dialene	135	+2	u4.9	2.5	5.2	8.9
100	50	26/2	49¼	49	German Sec. Inv. £1†	49	.....	—	—	—	—
§66	F.P.	—	63	59½	‡Granyte Surface 10p	63	.....	b2.1	2.6	4.8	11.4
§57	F.P.	11/12	67	60	‡Hampden Home 10p	63	.....	bg1.5	2.8	3.4	15.2
§160	F.P.	15/1	250	170	‡J S Pathology 10p	230	.....	bg3.5	2.7	2.2	24.0
§120	F.P.	—	125	122	‡Jacques Vert 10p	123	.....	bg5.5	1.9	6.4	11.5
115	F.P.	—	125	117	Lexicon Inc. $0.01	117	.....	u3.46	3.9	2.0	13.3
115	F.P.	—	127	122	Merivale Moore 5p	123	.....	b2.5	4.0	2.9	12.1
§160	F.P.	20/12	168	165	‡Millward Brown	167	.....	bg2.5	3.5	2.1	19.2
167	F.P.	—	81	78	‡Monks & Crane 10p	81	.....	bg2.7	2.7	4.8	11.1
§90	F.P.	—	104	97	‡Norank Systems 5p	97	—3	bg3.0	2.4	4.4	13.5
100	F.P.	—	117	106	SAC Intnl. 10p	118	+1	b1.5	3.8	1.8	20.0
125	F.P.	18/12	155	128	SPP 10p	155	+2	bg4.75	2.5	4.4	14.1
§175	F.P.	22/11	192	168	‡Shandwick 2p	175	+5	u3.68	2.2	3.0	21.7
§97	F.P.	10/1	106	100	‡Snowdon & Bridge	100	.....	bg2.75	3.0	3.9	12.1
§57	F.P.	6/1	74	66	‡Sterling Publish'g 5p	69	.....	b2.0	1.9	4.1	16.2
§118	F.P.	20/12	126	119	‡TMD Advertising 5p	120	.....	ug1.65	3.3	2.0	21.7
§150	F.P.	10/1	200	167	‡Tech. Compt. Inds.	195	.....	bg3.0	2.6	2.2	24.8
§90	F.P.	—	105	85	‡W Yorks. Ind. Hos. 5p	85	.....	64.0	1.8	6.7	11.5
§128	F.P.	20/12	175	148	‡World of Leather	160	.....	bg2.5	3.0	2.2	21.4

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or —
97.203	£25	4/4	24¼	24	Allied Lon. Props. 10⅝% 1st Mort. Deb. 2025	24	.....
§100	F.P.	30/1	100⅛	99⅛	Bristol Water 11.2% Red. Deb. 2005-08	99½	.....
**	F.P.	—	101	101	Brit. Assets 6% Uns. Ln. 1995	101	.....
¶¶	F.P.	31/1	109	105	Bunzl 7% Cnv. Uns. Ln. 1995/97	106	+1
§100	F.P.	30/1	100⅛	99½	East Anglian Water 11.5% Rd. Db. 1995-97	99⅝	.....
§100	F.P.	30/1	100⅛	99½	Essex Water 11.5% Red. Deb. 1995-97	99¾	.....
§100	F.P.	30/1	100⅛	99½	Do. 11.2% Red. Deb. 2005-08	99½	.....
§98.797	F.P.	—	98⅛	98⅛	Ests. & Agency 11½% 1st Mort. Db. 2020	98½	.....
£12	Nil	—	250pm	180pm	Intl. Inv. Tst. Jersey Units*	180pm	.....
—	F.P.	—	99⅞	99⅞	Nationwide Bldg. Soc. 11⅛% 15/12/86	99⅞	—⅛
§99.515	£40	26/2	40¾	38⅞	Rosehaugh Greycoat 11% 1st Mt Db 2014	38⅝	.....
§99.708	£40	—	40¼	40	T. T. Finance 11⅛% Gtd. Deb. 2018	40	.....
‖	F.P.	22/1	72p	62p	Tozer Kemsley 8½% Cnv. Cum. Prf. 20p	62p	.....
95.543	F.P.	9/11	95⅛	94¼	Whitbread Inv. 7%-12% Step. Int. Db. '15	94¾	.....

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or —
$A3.75	Nil	—	29pm	27pm	ANZ $A1	27pm	.....
110	Nil	—	11pm	5pm	Barham Group 2½p	5pm	.....
9½	F.P.	10/1	12	9¾	Barker & Dobson 1p	12	.....
280	F.P.	20/1	364	333	Bestwood 15p	346	—2
146	F.P.	17/1	185	168	Bodycote Int'l	170	.....
270	F.P.	9/1	320	310	Countryside Props	312	+2
130	F.P.	8/1	167	157	Crown House	161	.....
94	F.P.	24/1	119	107	‡Densora	112	.....
68	Nil	—	3pm	½pm	Hartwells	1pm	.....
120	Nil	—	3pm	2pm	‡Ind. Scot. Energy £1	2pm	.....
30	F.P.	10.1	35	31	Leisure Inv	34	.....
260	Nil	—	34pm	32pm	Lovell (Y. J.)	34pm	+2
355	F.P.	10/1	486	415	Lucas Inds. £1	486	+4
475	Nil	—	75pm	45pm	Mountleigh	45pm	.....
32	F.P.	10/1	36	32	Readicut 5p	32½	.....
260	F.P.	24/1	450	335	Regalian Props	335	.....
240	F.P.	20/1	285	268	Samuelson Grp. 20p	268	.....
155	Nil	—	7pm	3pm	Smith Bros	5pm	+2
187	F.P.	6/1	234	211	Wedgwood	232	.....

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. t Indicated dividends: cover relates to previous dividends; p/e ratio based on latest annual earnings. *u* Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising five ordinary and one warrant. * Units comprising 12 preference shares and one warrant.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the *following table.* The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*Associated Newspapers	Jan 9	Final 9.5	Southerns	Jan 15	Interim 2.0
Berisford (S. and W.)	Jan 17	Final 7.0	Mercantile House	Jan 22	Interim 4.0
Daejan	Jan 28	Interim 5.0	*Racal Electronics	Jan 28	*Interim 0.7865*
Davy Cpn	Jan 17	Interim 1.1	Bank Organisation	Jan 29	Final 7.2
*Dixons	Jan 15	Interim 1.92	*Ratners	Jan 13	Interim 0.67
*Dowty	Jan 16	Interim 2.2	Stead and Simpson	Jan 11	Interim 2.0
*Electronic Rentals	Jan 9	Interim 1.667	Thorn EMI	Jan 10	Interim 5.0
*First National Finance	Jan 23	Final due	*Trusthouse Forte*	Jan 16	Final 3.615
Fitch Lovell	Jan 24	Interim 3.0	*Union Discount	Jan 29	*Final 26.0*
Gestetner	Jan 18	Final 1.171			
Guinness (A.)	Jan 15	Final 4.62			
Guinness Peat	Jan 9	Final 0.8			
Lonrho	Jan 31	Final 6.5			
**Magnet and*					

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip *issue since made.* ¶ Forecast.

BANK RETURN

BANKING DEPARTMENT	Tuesday December 24, 1985	Increase (+) or decrease (—) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	97,059,896	+ 20,831,918
Bankers Deposits	934,874,393	— 25,740,082
Reserve and other Accounts	1,390,215,287	— 3,447,595
	2,436,702,576	— 8,355,757
ASSETS		
Government Securities	766,112,771	+ 133,958,000
Advance & other Accounts	604,730,365	— 117,234,582
Premises Equipment & other Secs.	1,056,105,428	— 24,612,353
Notes	9,260,047	— 512,579
Coin	493,965	+ 38,697
	2,436,702,576	— 8,355,757

ISSUE DEPARTMENT

	£	£
LIABILITIES		
Notes in circulation	13,450,739,953	— 89,487,421
Notes in Banking Department	9,260,047	— 512,579
	13,460,000,000	— 90,000,000
ASSETS		
Government Debt.	11,015,100	
Other Government Securities	2,219,734,915	+ 708,666,127
Other Securities	11,229,249,985	— 798,666,127
	13,460,000,000	— 90,000,000

INTERNATIONAL APPOINTMENTS

Fourth generation arrives at Pirelli

BY JAMES BUXTON IN ROME

PIRELLI SPA, the Milan-based holding company of the Pirelli tyres and cables group, has co-opted Mr Alberto Pirelli as a new board member.

Mr Pirelli, who is 30, is the son of Mr Leopoldo Pirelli, the chairman of Pirelli SpA and the head of the Pirelli family. He represents the arrival in Pirelli of the fourth generation of the family. The company was founded in 1872 by Mr Gianbattista Pirelli.

Mr Alberto Pirelli has hitherto shown little interest in joining the company which his family controls. He is a qualified marine biologist, having studied in the US at the University of Seattle. He now runs two fish farming companies in Europe, one in Italy and the other in Switzerland.

Mr Leopoldo Pirelli has announced his intention of making his son one of the three managers of Pirelli and Co, the holding company through which the Pirelli family and other shareholders control both Pirelli SpA and Societie Internationale Pirelli Group. The Pirelli Group's turnover worldwide is estimated at about $3.8bn.

Ehrnrooth chairman on Kymi merger

By Olli V. Virtanen

MR CASIMIR Ehrnrooth, chairman of the Finnish forest industry company, Kaukas, has been appointed chairman of Kymi-Strömberg-Kaukas Group when the two companies merge next year. Mr Fredrik Castren, chairman of Kymi-Strömberg, will be managing director of the forest industry conglomerate, which will rank number four in Scandinavia.

Kymi-Strömberg, the forest industry and power technology company recently bought a controlling interest in Kaukas. Mr Ehrnrooth was one of the major shareholders in the largely family-owned Kaukas and one oft he initiators of the deal.

Shuffle at Brown Boveri

By John Wicks in Zurich

BROWN BOVERI, the Swiss-owned engineering concern, has appointed Dr Gert-Ulrich Walther and Dr Bernd H. Mueller-Berghoff to the group management board in Baden, from September 1 next year.

Dr Walther will take over the drives division and assume interim responsibility for the medium manufacturing companies division. Mr Heiner P. Schulthess, general manager responsible for the latter division, will leave the company in May. Dr Walther is at present a deputy general manager in Mr Schulthess's division.

Dr Mueller-Berghoff, a manager of Brown Boveri's German subsidiary, is to become the head of group finances.

Swiss Bankers

DR CLAUDE DE SAUSSURE, a partner in the Geneva private bank, Pictet et Cie, is next October to become president of the Swiss Bankers' Association. He will succeed Mr Alfred E. Sarasin, partner in Bank A. Sarasin and Cie, the Basle private bank.

Charter Company plan puts Moody at helm

BY DONALD MACLEAN

THE CHARTER Company, the Florida-based oil concern which filed for protection from Creditors under Chapter 11 of the US Bankruptcy Code in April last year, has appointed Mr D. Thomas Moody president and chief executive.

Mr Moody, an executive vice president and member of the board is to take over from Mr A. P. Zechella tomorrow, December 31, when the company files a plan of reorganisation with the Bankruptcy Court. The plan is geared towards the company turning its emphasis towards oil marketing, and away from refining, it said last night. The oil refining side will, under the plan, be sold off.

Under Mr Zechella's administration and under the bankruptcy arrangements, Charter has returned to a profit on a first three-quarters basis, making net earnings in the nine months to September of $18.2m, compared with a net loss of $678m in the firs nine months of 1984. It has also arranged new capital finance of $400m. The company's turnover in the nine months to September was $2.2bn, against $2.7bn in the corresponding period the previous year.

Its insurance side has been sold off.

Mr Zechella, who had retired from Charter as an executive vice president before the bankruptcy filing, agreed, on its taking place, to return temporarily as president and chief executive.

Fletcher Challenge first

BY DAI HAYWARD IN WELLINGTON

FLETCHER CHALLENGE, the diversified forest products concern which is one of New Zealand's largest companies, has appointed Mrs Kerrin Vautier its first woman director—and the first new director since the company was formed with the merger of three major companies, Fletchers, Challenge Corporation and Tasman Pulp and Paper in 1981.

Sir Ronald Trotter, the Fletcher Challenge chairman, says the company had been interested in appointing a woman director for some time, but that there had been no opportunity to do so without ousting a sitting member. Mrs Vautier now replaces a retiring director. She was chosen because of her ability and experience, but her sex and age (40) are both bonuses for the company, Sir Ronald says.

Combustion Engineering switch

COMBUSTION Engineering has named Mr James G. Binch president of its engineering and construction business, which has been combined with its urban systems and services business, reports Reuter from Stamford, Conn.

Mr Binch will report to Mr Dudley C. Mecum, president urban systems and services.

Mr Binch was previously an executive vice-president at the company's Lummus crest subsidiary, the principal operating unit in its engineering and construction business. He succeeds Sven Kreipke, who remains a corporate vice-president reporting to Charles E. Hugel, Combustion Engineering president on special projects.

Combustion Engineering says that the combination of the two business areas is aimed at what it estimates will be a $50bn market for public sector projects and services over the next five years.

Merrill builds up in Tokyo

By Terry Dodsworth in New York

MERRILL LYNCH, the largest US brokerage and investment group, has underscored the importance of its recent breakthrough in the Japanese market by appointing Mr John Williams, its senior equity trading specialist, as president of the Japanese subsidiary.

"As Merrill Lynch prepares to assume its responsibilities as a full member of the Tokyo Stock Exchange, we intend to strengthen our equity transaction business in Japan, which is the second largest equity securities market in the world," says Mr William Schreyer, chairman of the US company.

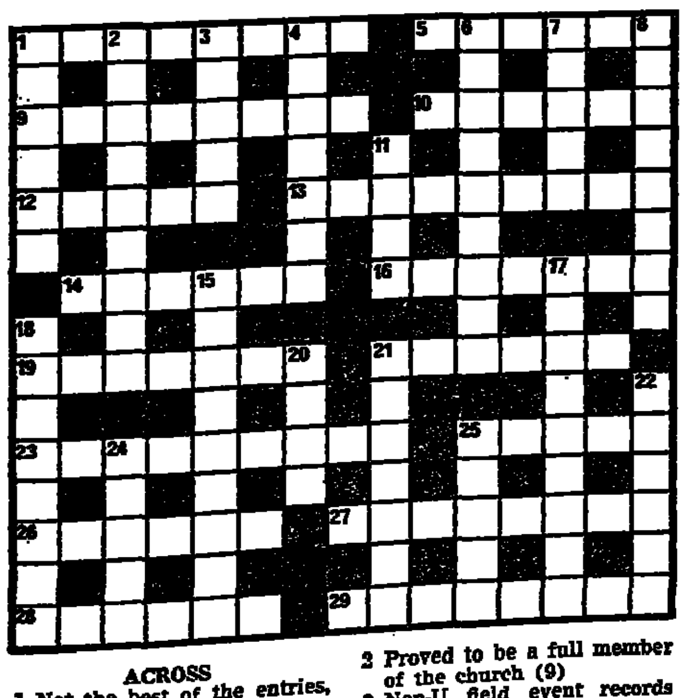
Earlier this month Merrill was one of six foreign brokerage concerns to be accepted for membership of the Tokyo Stock Exchange in the new year. The US group was widely attributed with having led the campaign to liberalise the Japanese financial markets, after being granted the first foreign securities licence in Japan, in 1972, and thus becoming on-the-spot overseas representative in initial discussions with the Japanese.

Mr Williams will bring a wealth of experience to Japan. He has spent 25 years in trading and management at the US group, first as a retail account executive, then as a floor trader on the New York stock exchange and latterly as director of worldwide equity trading.

Merrill regards its Japanese office as a vital link in the chain that will include London and New York as the company moves to gear up for the development of the global, 24-hour capital marketplace.

Mr Schreyer adds: "As Merrill Lynch's senior equity trading specialist, Mr Williams will greatly enhance our ability to provide a full range of trading execution services to our Japanese clients and to our foreign clients investing in Japanese securities."

FT CROSSWORD PUZZLE No 5,909



ACROSS

1 Not the best of the entries, usually (4, 4)
5 Mum, listen for a change (6)
9 Is he in the orchestra or dismissed? (8)
10 Supporter of something wicked (6)
12 Forgets it's on order (5)
13 Once rises develop on the stock market it may disappear (9)
14 Yet such talkers may not be on the level (6)
16 Kind of resort where disease is treated (7)
19 Mark all dice differently (7)
21 One type of fan club (6)
23 One who gets the right angle from the group who are fair (3, 6)
25 Verbal criticism of the show (5)
26 Cats in the pound (6)
27 Queen's training centre (8)
28 Stragglers revealed in street lights (6)
29 Type of porcelain food container (8)

DOWN

1 Outlaw about to shout down a primate (6)
2 Proved to be a full member of the church (9)
3 Non-U field event records (5)
4 In this world, or possibly another (2, 5)
6 An insect's uninterrupted development (9)
7 Nine upset about the upper-class showing lack of interest (5)
8 Hastened out to see some mountains (3, 5)
11 Experts break the case (4)
15 Indirectly, I quell boy's revolt (9)
17 River seen swirling backwards (2, 7)
18 Cuts out a ballet movement (8)
20 A poor actor turned nurse (4)
21 Dazed American general in retreat and encircled (7)
22 Remember to ring again (6)
24 Course for a singer (5)
25 Tries new forms of worship (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

UK

Reorganisation at Alfa-Laval

Four board appointments have been made by ALFA-LAVAL ENGINEERING, a new company being formed to consolidate worldwide Alfa-Laval group's industrial activities in the UK. The chairman is Mr Lars Halden, the deputy group managing director of Alfa-Laval AB. Managing director is Mr Bo Wirsen who remains managing director of Alfa-Laval Co which, from January 1, becomes the holding company for the UK group. Also appointed to the board are Mr John Bryan, marketing director of Swedish based Alfa-Laval Food Engineering AB, and Mr Frank White, head of marine and power engineering in the UK.

★

Mr David Hubbard, has been appointed a member of the board of CROWN AGENTS for Overseas Governments and administrations and the Crown Agents holding and realisation board, from January 1. Mr Hubbard is finance director of Powell Duffryn. Mr Alan Frood, the Crown Agents managing director, and Mr Kenneth Johnson have been reappointed to the board of Crown Agents until 1988.

★

Mr Jim Graham has been appointed to the board of CLARKSON PUCKLE INTERNATIONAL BENEFIT CONSULTANTS from January 1.

★

Mr R. G. Potts has been appointed group sales director of the SYMPHONY GROUP.

★

Mr T. H. Kerr has been appointed to the board of HUNTING ENGINEERING as a non-executive director. He is president of the Royal Aeronautical Society.

★

GUEST KEEN AND NETTLEFOLDS has appointed Mr M. J. C. Borlenghi, Mr A. Daly, Mr B. D. Insch and Mr R. J. B. Jessop as executive directors from January 1. All are currently corporate management directors.

★

NATIONAL AND PROVINCIAL has made the following executive changes from January 1: Mr Eric Smith is appointed general manager (marketing), from head of marketing; Mr Colin Lancaster is appointed general manager (personnel services), from assistant general manager (personnel services). Mr G. S. Danby, general manager (administration) is to retire at the end of the year.

★

On January 1 Mr Michael Lacey will relinquish his appointment as deputy managing director of GLASS'S GUIDE SERVICE. He will continue as a full-time director, but gradually hand over his many responsibilities both in the UK and overseas prior to his retirement in 1987. He will be succeeded as deputy managing director by Mr Reggie B. Montclare who joined the board in 1975 and has been managing editor for the past three years. Mr Leslie D. C. Allen who was appointed a director in April 1984 will take over as managing editor.

★

Mr Preben Sundenaes has been appointed to the board of HAWKER SIDDELEY POWER ENGINEERING as finance director.

★

Mr David Chellingworth has been appointed assistant director of finance at BRITISH GAS headquarters. He is currently chief accountant to the North Thames region of the Corporation. Dr Norman Ross has been appointed director of the Watson House research station in the research and development division of British Gas. He will take up this post early in the New Year. Dr Ross is currently the chief coordinator (R and D), based at R and D headquarters where he leads a team supporting the director of research in co-ordinating the activities of five research stations.

★

Mr Derek Byrne has been appointed chief executive designate of the speciality products division of YORKSHIRE CHEMICALS. He transferred to Selby four years ago to create a marketing function responsible for the worldwide sale of leather and speciality chemicals. Mr John Dawson, who was chief executive of speciality products division, now resumes the role of group technical director, with the additional responsibility of advising on the integration of acquisitions within the group.

★

RELIANCE MUTUAL INSURANCE SOCIETY has appointed Mr L. M. Etheridge as an executive director. He will retain his title of deputy actuary, with responsibility for day-to-day actuarial matters, the data processing department, and the Society's main administrative departments.

★

ALLSTATE INSURANCE CO. has made the following appointments: Mr Peter G. Turner has been appointed a director while retaining his position of deputy general manager and company secretary. Mr Geoff Latham is appointed assistant general manager, marketing and personal insurances. Mr Robert Marr is appointed assistant general manager, claims.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St, London EC4N 6AE Dlg. 01-236 3885

International Growth	110.4	117.6	+0.6	1.30
Income & Growth	44.1	46.9	+0.2	2.8
Special Situations	58.3	62.1xd	+0.3	1.20
American Growth	28.7	30.5	....	1.50
Japan Growth	35.8	38.1	-0.1	—
European Growth	48.6	51.9	+0.2	2.50
UK Growth	44.0	47.0xd	+0.3	1.4
Pacific Growth	33.1	35.3xd	+0.1	2.0
High Income	30.0	32.0	+0.1	7.6
Practical Income Units	44.1	46.9	+0.2	2.70
Practical Accum. Units	79.8	84.3	+0.3	2.70

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01-405 8441

Pearl Growth Fd.	70.0	74.5	—	2.86
Accum Units	103.5	110.3	—	2.86
Pearl Inc.	95.7	101.8	—	4.85
Pearl Unit Tst.	101.6	108.1xd	—	3.81
(Accum. Units)	174.0	183.1	—	3.81
Pearl Intl Equity	99.5	105.8	—	1.89
(Accum Units)	99.5	105.8	—	1.89

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

International Growth	216.5	232.4	+0.1	1.43
Income	153.9	164.9	+1.9	5.36
Worldwide Recovery	120.1	128.9	-0.1	2.13
American Growth	60.2	64.6	-0.7	1.08
Intl. Emerging Cos.	65.1	69.9	+0.3	0.73
Far East Growth Fd.	53.8	57.8	+0.3	1.14

Prolific Unit Trusts
222 Bishopsgate, London EC2 01-247 7544/7

Prolific American Inc.	49.9	53.1	-0.2	4.49
Prolific Far East	113.5	122.0	+0.5	0.26
Prolific Extra Inc.	66.3	70.3xd	+0.2	5.86
Prolific Convert & Gilt	82.4	87.4	+0.1	7.21
Prolific High Inc.	141.5	150.1	+1.1	5.11
Prolific Intl.	89.4	96.1	-0.1	1.88
Prolific N. Amer.	118.6	127.5	+0.3	2.01
Prolific Spec. Sits.	154.6	163.9xd	+0.6	1.49
Prolific Technology	102.5	110.2xd	—	0.60

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01-749 9111

Japan Inc.	54.7	57.9	—	0.00
Japan Acc.	54.8	58.0	—	0.00
Worldwide Inc.	55.7	59.4	—	1.66
Worldwide Acc.	56.3	59.6	—	1.66
European Tst Inc.	67.0	71.0xd	—	0.76
European Tst Acc.	67.3	71.3xd	—	0.76
North American Inc.	51.9	55.0	—	1.74
North American Acc.	51.9	55.0	—	1.74
UK Equity Inc.	54.3	57.5xd	—	2.86
UK Equity Acc.	55.5	58.8	—	2.86

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	—	50.0	—	2.50
PM Income & Gwth.	—	50.0	—	5.50

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

Holborn Equity Tst.	343.3	365.2	+2.1	3.35
Holborn European Trust	64.1	68.1	+0.4	0.58
Holborn Gilt Tst.	138.0	145.4	+0.5	7.94

Sun Life Trust Mngmt. Ltd
107 Cheapside, London EC2V 6DU 01-606 6010

American Growth Acc.	24.9	26.5	—	1.9
American Income Acc.	25.7	27.3	—	4.6
American Income Inc.	25.7	27.3	—	4.6
European Growth Acc.	37.2	39.6	—	2.2
Far East Growth Acc.	27.7	29.5	—	0.8
Int. Growth Acc.	26.9	28.6	—	0.9
Japan Growth Acc.	34.0	36.2	—	0.3
UK Growth Acc.	29.0	30.8	—	2.4
UK Income Acc.	26.4	28.1	—	4.4
UK Income Inc.	26.4	28.1	—	4.4
Managed Growth Acc.	30.1	32.0	—	2.3
Managed High Yield Inc.	32.1	34.1xd	—	6.9
Managed Income Inc.	27.2	28.9xd	—	4.3

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99-101 London Rd, Sevenoaks 0732 450161

Equity Dist.*	232.3	245.8xd	—	3.90
Equity Acc.*	279.5	295.7xd	—	3.90
Fixed Int. Dist.†	116.0	120.2xd	—	11.25
Fixed Int. Acc.†	170.2	176.3xd	—	11.25

*Prices on Dec 11. Next dealing Jan 8
†Prices on Dec 4. Next dealing Jan 2

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens House, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432-9

TSB American	98.9	105.3	-1.1	1.28
Do. Accum.	103.0	109.4	-1.1	1.28
TSB Extra Income	89.2	94.9	+0.4	6.04
Do. Accum.	102.6	109.2	+0.4	6.04
TSB General	136.1	144.8	+0.6	3.05
Do. Accum.	218.0	233.0	+1.0	3.05
TSB Gilt & Fxd Int.	46.7	49.7	+0.1	9.15
Do. Accum.	58.6	61.1	+0.1	9.15
TSB Income	176.4	187.7xd	+1.1	4.85
Do. Accum.	270.7	288.0	+1.6	4.85
TSB Pacific	111.3	118.5	+0.6	0.57
Do. Accum.	114.2	121.5	+0.7	0.57
TSB International	250.8	266.9	-0.6	1.85
Do. Accum.	307.9	327.6	-0.7	1.85
TSB Natural Resources	42.0	44.7	+0.4	2.21
Do. Accum.	42.8	45.6	+0.4	2.21
TSB Smlr. Cos.	49.5	52.3	+0.2	2.29
Do. Accum.	54.0	56.9	+0.2	2.29

3i Unit Trust Managers Ltd
2 St Mary Axe, London EC3A 8BP 01-928 3356

Small Co's Fund	67.0	71.2	-0.5	0.1

Target Trust Mngrs. Ltd (a)(g)
Target Hse, Gatehouse Rd, Aylesbury Bks (0296) 5941

American Eagle	68.7	73.4xd	—	0.47
Australia	26.7	28.5	—	0.10
Commodity	73.6	79.1xd	—	2.23
Energy	37.6	40.2	—	1.35
Equity	104.2	111.4xd	—	3.28
European Spec. Sits.	72.0	76.9	—	0.32
Extra Income	96.5	103.2	—	6.69
Financial	218.1	232.7	—	2.36
Gilt Income	97.7	102.4xd	—	8.72
Gold Income	51.8	55.4	—	2.24
Gold Acc.	94.4	101.0	—	2.24

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	301.7	317.3	—	—
Property	244.7	257.8	—	—
Equity	321.7	338.6	—	—
Gilt Edged	309.2	325.6	—	—
Deposit	178.5	187.9	—	—
Investment	136.0	142.8	—	—
International	269.4	283.6	—	—

Pension Fund Prices

Managed Init.	215.2	—	—
Do. Accum.	240.6	—	—
Property Init.	208.2	—	—
Do. Accum.	240.6	—	—
Equity Init.	257.2	—	—
Do. Accum.	273.8	—	—
Gilt-Edged Init.	196.9	—	—
Do. Accum.	227.5	—	—

Property Growth Assur. Co Ltd
Leon House, Croydon CR9 1LU 01-680 0606

Property Fund	302.7	—	—
Property Fund (A)	279.0	—	—
Agricultural Fund	907.5	—	—
Agric. Fund (A)	874.9	—	—
Abbey Nat. Fund	250.2	—	—
Abbey Nat. Fd. (A)	248.3	—	—
Investment Fund	167.7	—	—
Investment Fund (A)	165.2	—	—
Equity Fund	503.3	—	—
Equity Fund (A)	509.5	—	—
Money Fund	253.4	—	—
Money Fund (A)	247.9	—	—
Actuarial Fund	275.4	—	—
Gilt-Edged Fund	213.7	—	—
Gilt-Edged Fd. (A)	213.7	—	—
Retire Annuity	494.6	—	—
Immed. Ann'ty.	210.5	—	—

INSURANCES

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Life Investments
19 St Andrew Square, Edinburgh 031 225 2211

Property	106 9	112 4	
UK Equity	139 8	147 2	
American	131 1	138 1	
Pacific	115 0	121 2	
European	158 1	166 6	
International	128 8	135 7	
Fixed Interest	105 4	111.0	
Index Linked	98 1	103 3	
Deposit	106 4	112 1	
Managed	122 5	129 0	
Pens Property	112 6	118 6	
Pens UK Equity	149 2	157 1	
Pens American	137 5	144 9	
Pens Pacific	118 6	124 9	
Pens European	170 4	179 4	
Pens International	135 9	143 2	
Pens Fixed Int	111 1	117 0	
Pens Index Linked	101 6	107 0	
Pens Deposit	114 6	120 7	
Pens Managed	129 8	136 7	

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow 041 248 6321

Flex End Nov 25	160 2	168 6	
Pen Mngd Sept 30	421 1	434 1	

Scottish Mutual Investments
109 St Vincent St, Glasgow 041 248 6321

Safety Fund	103 4	108 9	+0 6
Growth Fund	102 6	108 0	+0 4
Opportunity Fund	105 5	111 1	+0 7
Cash Fund	98 8	104 0	+0 1
European Fund	133 0	140.0	+3 5
Gilts & Fxd Int Fund	101 2	106 6	+0 5
Index-Linked Fund	94 3	99 1	0 3
International Fund	107 5	113 2	+0 4
North American Fund	92 7	97 6	1 6
Pacific Fund	107 1	112 8	0 3
Property Fund	98 8	104 1	+0 2
UK Equity Fund	102 6	108 0	+0 2
UK Smaller Cos Fund	107 0	112 7	+0 9
Pens Safety Fnd	97 2	102 4	+0 9
Pens Growth Fnd	98 2	103 4	+0 6
Pens Opportunity Fnd	98 9	104.2	+1 0
Pens Halifax Fnd	96 9	102 1	+0 1
Pens Cash Fund	96 7	101 8	+0 4
Pens European Fnd	113 1	119 1	+3 0
Pens Gilts/Fxd Int Fnd	94 7	99 7	+0 6

Sun Life Unit Assurance Ltd
St James Barton, Bristol BS99 7SL 0272 426911

Managed Acc	344 5	362 7	
Property Acc	205 4	216 3	
Equity Acc	476 9	502 0	
Fixed Interest Acc	189 4	199 4	
Index Linked Acc	105 7	111 3	
Cash Acc	171 9	181 0	
American Equity Acc	176 9	186 3	
U S Bond Acc	108 3	114 1	
Japan Acc	134 5	141 6	
Pacific Acc	103 2	108 7	
Far Eastern Acc	268 8	283 0	
International Acc	261 1	274 9	
U S Dollar Acc	97 4	102 6	
Yen Acc	104 2	109 7	
European Currency Acc	102 1	107 5	
Distribution	144 5	152 2	9 92

Sun Life Pensions Management Ltd

Pens Managed Acc	349 0	367 4	
Pens Property Acc	167 3	176 2	
Pens Equity Acc	448 4	472 1	
Pens F Interest Acc	183 1	192 8	
Pens Ind Lnkd Acc	104.5	110 0	
Pens Cash Acc	178 9	188 4	
Pens Amer Equity Acc	148 3	156 2	
Pens U S Bond Acc	123 2	129 7	
Pens Japan Acc	143 7	151 3	
Pens Pacific Acc	128 5	135 3	
Pens Far Eastern Acc	400 2	421 3	
Pens Internat Acc	341 1	359 1	
Pens U S Dollar Acc	102 8	108 3	
Pens Yen Acc	112 1	118 1	
Pens Euro Curr Acc	105 0	110 6	

Swiss Life Pensions Ltd
99 101 London Rd, Sevenoaks 0732 450161

Equity	£191 70	197 64	
Fixed Int	£138 36	139 04	
Index Linked	£108 61	109 15	
Property	£135 44	140 39	
Cash	£126 51	126 51	
Mixed	£180 24	185 81	
International	£156 58	161 42	

Next sub day Jan 28

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 62188

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U S dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

OPTIONS

3-month call rates

Industrials	p		
Allied Lyons	28	Marks & Spencer	13
BAT	26	Midland Bk	35
BOC Grp	27	NEI	10
BSR	8	Nat West Bk	55
BTR	33	P & O Dfd	35
Babcock	13	Plessey	14
Barclays	33	Polly Peck	21
Beecham	30	Racal Elect	15
Blue Circle	50	RHM	12
Boots	18	Rank Org Ord	35
Bowaters	30	Reed Intnl	60
Brit Aerospace	32	Sears	11
Brit Telecom	17	TI	35
Brown (J)	3½	Tesco	24
Burton Ord	45	Thorn EMI	34
Cadburys	13	Trust Houses	12
Charter Cons	18	Turner Newall	9½
Comm Union	23	Unilever	90
Courtaulds	13	Vickers	35
Distillers	36	**Property**	
FNFC	12	Brit Land	14
Gen Accident	55	Land Secs	26
Gen Electric	24	MEPC	26
Glaxo	100	Peachey	24
Grand Met	30	Samuel Props	15
GUS 'A'	70	**Oils**	
Guardian	60	Brit Oil & Min	3½
GKN	20	Brit Petroleum	45
Hanson Tst	18	Burmah Oil	27
Hawker Sidd	36	Charterhall	4
ICI	42	Premier	5
'Imps'	16	Shell	56
Jaguar	27	Tricentrol	18
Ladbroke	27	Ultramar	18
Legal & Gen	60	**Mines**	
Lex Service	24	Cons Gold	40
Lloyds Bank	35	Lonrho	12
Lucas Inds	38	Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
	"Shorts" (Lives up to Five Years)				
25 Aug 25 Feb	Exch. 11¼pc '86	99	19.7	11.77	11.87
11 Oct 11 Apr	Treas. 10pcCnv 1986	99	4.9	10.05	11.53
19 Nov 19 May	Treas 3pc 1986	97¼	14.10	3.09	10.80
19 Nov 19 May	Exch. 10½pc 1986	99	14.10	10.58	11.83
12 Dec 12 Jun	Treas 12pc 1986	100	5.11	11.98	10.60
10 Jan 10 Jul	Treas 8¾pc 1984-86‡‡	98	4.12	8.63	11.62
29 Apr 29 Oct	Exch. 14pc 1986	101	23.9	13.76	11.62
21 May 21 Nov	Exch. 2½pc 1986	95½	15.10	2.62	7.80
22 Jul 22 Jan	Exch. 13¼pc 1987	101	16.12	13.07	11.57
10 Aug 10 Feb	Treas 10¼pcCv '87	98½	4.7	10.41	11.63
24 Aug 24 Feb	Exch 2½pc 1987	93½	18.7	2.67	8.50
6 Oct 6 Apr	Exch. 10½pc 1987	98	2.9	10.63	11.48
1 Nov 1 May	Funding 6½pc '85-87‡‡	94¼	25.9	6.86	10.81
12 Dec 12 Jun	Treas. 10pc 1987	98¼	5.11	10.19	11.43
14 Jan 14 Jly	Treas 3pc 1987	92	9.12	3.25	8.45
3 May 3 Nov	Treas. 12pc 1987	101	27.9	11.88	11.34
26 Jul 26 Jan	Treas 7¾pc 1985-88‡‡	93⅞	20.12	8.26	11.16
10 May 10 May	Exch 10½pc '88	98½	4.10	10.66	11.23
14 Dec 14 Jun	Treas 9¾pc Cv '88	96	7.11	10.08	11.39
1 Jan 1 Jul	Transport 3pc '78-88	87⅜	25.11	3.42	8.67
25 Apr 25 Oct	Treas. 9½pc '88	95	18.9	9.94	11.36
22 Aug 22 Feb	Treas 11½pc 1989	100½	16.7	11.44	11.26
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Mr Je Se De	Amer. Cyanamid $5	40⅝	13.11	$1.90	—	3.2
Fb My Ag Nv	Amer. Express $0.60	36¼	1.7	$1.36	—	2.5
F My Au N	Amer Medical Int $1	13⅞	8.7	72c	—	3.5
Fb My Ag Nv	American T. & T. $1	17	26.3	$1.20	—	4.7
Fb My Ag Nv	Ameritech $1	72	—	$6.60	—	6.2
—	Amfac‡	18	26.11	—	—	—
—	♥AridTech‡	36p	—	—	—	—
Fb My Au N	BankAmerica $1⅝	10⅛	8.11	80c	—	5.2
Ap Jy Oc Ja	Bankers N.Y. $10	50½	28.3	$2.97	—	4.0
Ja Ap Jy Oc	BASIX Corp.	724p	13.9	12c	—	1.1
My Au N Fb	Bell Atlantic $1	71½	27.3	$6.80	—	6.4
Fb My Au N	Bellsouth $1	33	13.12	$2.80	—	5.7
Mar Jun S D	♥Beth Steel $8	10⅝	4.11	—	—	—
Oc Ja Ap Jy	Bowater Inc.	16⅞	25.11	72c	—	2.9
Ja Ap Jly O	Brown'g-Fer. 16⅔c	42¼	17.9	$1.28	—	2.0
F My Au N	Brunswick Corpn.‡	30½	22.10	$1.00	—	2.2
Jan Ap Jly O	CPC Intnl. 25c	35⅝	25.9	$2.20	—	4.2
Mr Ju Se De	CSX Corp U.S.$1.00	21½	22.11	$1.16	—	3.7
Mr Jn Sp Dc	CalFed Inc $1.00	18	12.11	32c	—	1.2
Oc Ja Ap Jy	Campbell Soup 30c	35¼	3.7	$1.32	—	2.5
F My Au N	Caterpillar Tractor‡	27¼	16.10	50c	—	1.2
—	Cenergy Corp. 25c	552p	—	4c	—	0.5
Fb My Ag Nv	Chase M'hta $12.5	48½	25.10	$3.80	—	5.3
Ap Jy Oc Ja	Chemical New York	30¼	10.12	$2.48	—	5.4
Mar Jun S D	Chesebrough-Pond's $1	29⅞	26.11	$2.00	—	4.5
Mar Jun S D	Chrysler $6¼	30⅝	12.6	$1.00	—	2.2
My Au N F	Citicorp $4	32⅞	24.12	$2.26	—	4.7
—	CityFed Fin. Corp.	838p	—	40c	—	3.2
F My Au N	Colgate-P. $1	22½	22.10	$1.36	—	4.1
Mr Ju Se De	Colt Inds. $1	44	10.12	$2.50	—	3.8
—	Cons Freightways $0.625	27¼	—	$1.10	—	2.7
—	Contl Illinois Corp $1	655p	—	—	—	—
—	Cont Illinois Hldgs $1	65p	3.84	—	—	—
—	♥Corporate Data Scnce	41p	—	—	—	—
Dec. Aug	Crown Zell. $5	28⅞	5.6	$1.00	—	2.3
—	Cullinet Sftwr $0.1	12¼	—	—	—	—
—	Damson Oil 40c	245p	—	—	—	—
Mar Jun S D	Dana Corp. $1	19	25.11	$1.28	—	4.5
—	Data General	31⅝	—	—	—	—
—	♥Derma-Lock Medicl	15½p	—	—	—	—
M J S D	Dun & Bradstreet $1	58⅝	15.11	$1.88	—	2.2
F My Au N	Eaton Corpn. 50c	44½	30.10	$1.60	—	2.1
Mar Jun S D	♥Exxon$	37¼	7.11	$3.60	—	6.5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
May	Sept.	M'c'rthy Ph. 20p	252	12.8	8.2	2.0	4.6	15.6
Oct.	May	Macfarlane Gp.	128	16.9	†h2.16	3.1	2.6	16.9
July	Nov.	Maclellan (P & W) 20p	40	30.9	†1.7	2.3	6.1	8.3
Oct.	May	Magnolia Group	82	16.9	2.6	3.0	4.5	10.0
—		♦Malaimei Hldgs 10p	60	—	—	—	—	97.9
April		Man. Ship Can. £1	580	25.2	5.5	3.5	1.6	26.3
Oct	May	Marley	107	2.9	3.75	2.2	5.0	12.9
Jan	Oct	Marling Ind. 10p	84xd	23.12	†d1.5	5.4	2.6	10.3
Dec	June	Marshall L'xy. 'A'	68	30.9	†2.4	4.9	5.0	4.9
Jan.	July	Marshall's Universal	68	28.10	†2.0	1.4	4.2	(21.6)
June	Dec	Do. 7½pcCnRedPf £1	85	25.11	7½%	—	12.9	—
—		♦Martin (Ronald) 10p	94	—	bq3.27	2.2	5.0	12.8
—		♦Mathesons 7¼%	£110	30.6	Q7¼%	2.3	†7.2	—
—		♦Mandprint 1p	20	—	—	—	—	—
Jan.	June	Metal Box £1	518	25.11	17.25	3.0	4.8	8.2
Nov.	June	Metal Closures	147	16.9	6.7	2.0	6.5	9.2
—		♦Metal Sciences 2½p	7½	—	—	—	—	—
July	Jan	♦Midland Marts	80	25.11	4.0	2.1	7.1	9.6
Jan	May	Mitchell Cotts	67	25.11	4.25	2.0	9.1	(6.8)
Jan.	July	Morgan Crucible	206	11.11	†8.0	1.6	5.5	14.4
May		♦Morris (W) F.A. 20p	21½	—	g0.5	♦	3.3	♦
Jan.	Aug.	Moss (Robt.) 10p	108	25.11	†3.0	2.7	4.0	11.6
July		Myson Grp 10p	65	25.11	g2.5	3.4	5.5	12.3
Nov	June	♦NMW Computers	310	14.10	†h4.8	2.7	2.2	23.8
Mar.	Sept.	Nash Inds.	33	14.1	0.5	—	2.2	—
Oct.	April	Neil & Spencer 10p	16	3'81	♦—	—	—	4.8
Jan	July	Newman Inds 10p	32	14.10	20.3	—	1.3	(15.1)
April	Dec	Nolton	51	11.11	0.95	2.6	2.7	7.3
Jan.	Aug.	Norcros	192xd	23.12	†8.6	2.0	6.4	10.5
Oct.	April	Nu-Swift 5p	51	14.10	†3.0	1.9	8.4	8.3
Feb.	Aug.	Oakwood Grp.	85	15.7	†t4.5	1.4	7.6	(12.5)
Dec	July	Office & Elect	210	28.10	†7.5	2.6	5.1	10.8
October		Oldacre 20p	80	12.8	4.0	2.6	7.1	7.3
—		♦Optometrics $0.01	36	—	wd02c	—	4.4	—
May	Nov	Oriflame £1	525	30.9	†23.4	1.8	4.5	12.4
Jan.	June	Ovenstone 12½c	8	25.11	‡Q3.23c	1.9	10.4	5.1

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 10
(International Edition Page 12)

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Venture research

How BP makes use of 'credible heretics'

BY PETER MARSH

DON BRABEN spends much of his time scouring the world for "credible heretics." These are scientists who, he explains, are a "cross between the nutcase and the conventional research and development worker."

Braben is head of BP's venture research unit, a group set up five years ago to develop technical concepts that may turn into applications for the oil and chemicals giant in the 1990s. The technique he uses is to inject relatively small sums of cash, normally about £200,000 over three years, into university programmes that appear to fit into BP's ideas on long-term research.

With a small team of half a dozen people and with a budget of £1.5m a year, Braben currently supports 22 research projects at academic institutions mainly in the UK but also in Ireland, Belgium, France, the US and Canada.

Braben—a cheerful extrovert who previously worked on Science and Engineering Research Council, the Bank of England and the Cabinet Office—is adamant that the studies he is financing should go beyond solving immediate technical problems.

"We are not interested in development or incremental research," he says. "It has become a sine qua non of research to imagine a product and then to do the work to make it possible.

"We are backing people who are genuine explorers rather than manufacturers of widgets. They may not know where they are going but they know they are going somewhere."

Two criteria are important in selecting projects to finance, says Braben. "You must be able to imagine the research could have substantial industrial applications. Secondly, the researcher must have identified a large though manageable problem where a lack of understanding is a serious obstacle to progress. By pursuing this line of study, we can unblock a log jam."

The people behind the research groups are crucial. "They must be gifted, highly motivated and have ideas that do not necessarily fit into the conventional wisdom. They must have coherence and they must have logic, and they must not be obsessed with just one idea."

Not surprisingly, given the outstanding characteristics Braben is looking for, he has some difficulty finding good people to back. The venture unit starts new projects at the rate of four a year, which is fewer than 1 per cent of the proposals Braben receives.

One problem is to convince the researchers themselves to be ambitious enough. Braben feels that many academics, especially in Britain, have become "worn down" by the constant exhortations to involve themselves with short-term studies of relevance to industry and by the public spending cuts that have shaved away at areas of fundamental research.

'They must be gifted, highly motivated and have ideas that do not necessarily fit into the conventional wisdom'

"When people send us their proposals, we have to get them out of the habit of writing what they think will please us. They must write what they want to do. Researchers are being encouraged to parcel up their ideas to meet whatever seems fashionable. We want people with the ideas to start the bandwagons of the future."

Of those scientists whose thoughts and personalities fit in with Braben's criteria—and he says he has no shortage of money to fund truly outstanding proposals—it is probably understating the case to say they have unorthodox interests.

Some of the projects supported by BP's venture unit feature work that appears, on the face of it, downright eccentric.

A group of biologists and control engineers at Sheffield University is investigating how plants behave under stress. A cell biologist and an electrical engineer at Glasgow University are trying to discover how the building blocks of the human body communicate.

Other workers are examining how porous materials deform, why wood decomposes, the production of artificial enzymes and the crystallisation of volcanic magma. The titles of other subjects under study give the impression that the research is slightly mystical—as in "The taming of complexity" and "The science of complex discrete systems."

Braben insists that these seemingly obscure ideas are relevant to a giant multinational such as BP.

Since BP set up the venture unit, several of the £38bn-turnover company's dozen or so operating divisions have expressed interest in the techniques developed by the university teams. The divisions encompass the full range of BP's activities, including oil exploration, minerals, nutrition, shipping, computers, detergents and solar power.

One idea appealed to the BP engineers who operate offshore oil platforms. It concerned a study that appears totally unrelated—research at London's Imperial College to analyse the porous tissue in the walls of human arteries.

BP's research scientists think, however, that with insights into how these biological walls are constructed, they could design new kinds of plastic filters to clean up oil from subsea wells.

BP has taken out 12 patents on developments from the university activities, in areas such as materials, optics, biotechnology and medical applications of enzymes. Half these developments have progressed to the commercial stage, says Braben, though he is reluctant to say more for fear of divulging secrets to business rivals.

Ideas that appear promising to the operating divisions will usually undergo further development at BP's own scientific laboratories (the main one is at Sunbury-on-Thames, near London) in which the company spends £120m a year.

Hugh Routledge

Don Braben: backing people who are real explorers

In all cases, before BP hands out the grants, the academics must agree that the oil company retains ownership of innovations arising from the research. For its part BP agrees to pay the researchers a royalty on commercial products.

To keep Braben on his toes, he reports to a board of senior scientists, chaired by Professor John Cadogan, BP's director of research, which monitors all projects. The board also includes such scientific luminaries as Sir James Menter, principal of London's Queen Mary College and a distinguished engineer, Sir Hans Kornberg of Cambridge University (a biochemist) and Sir Rex Richards, a chemist who is chancellor of Exeter University.

On day-to-day matters, Braben reports directly to Bob Malpas, the corporation's managing director in charge of research. The unit is not linked directly to BP Ventures, the subsidiary of the company involved in opening up new, diversified commercial areas, although some of the research group's activities may eventually feed into the subsidiary.

An important part of Braben's work is, as he puts it, "nurturing" the projects during their lifetime.

"We recognise that technology transfer is often going to be tricky. We visit each research group several times a year and encourage a dialogue between the university team and people in the rest of BP who may be broadly receptive to what they are doing. We have to act as midwives for ideas."

Braben's abiding aim is to bring excitement and vision into scientific research, an activity which he thinks shows signs in many countries of becoming stifled through an excess of bureaucratic constraints and an over-emphasis on management techniques.

"There was a rich diversity of research in the 1950s and 1960s. No one knew how to manage it, so no one did. Since then science has been a victim of its own success. People think it is a golden goose and can lay eggs to order. It probably can in the short term—but not in the long term. Looking towards the future, a more expansive approach is needed."

Eurofi

A guide through the maze

BY ANTHONY MORETON

SIX YEARS ago Peter Canham, then working for the European Commission in Brussels, and Bernard Harris, with BSC (Industry) and a consultant to the Commission, found a hole in the regional map.

Companies usually know what regional assistance is available from the Community or from their national governments but they frequently have difficulty in getting what they are entitled to.

"The trouble is that the language of Whiteminster, that mixture of Whitehall and Westminster, is quite foreign to many businesses," says Harris. "When it comes to Brussels the bureaucratic complications are compounded by language problems.

"We set up Eurofi to guide businesses through the maze of regulations, using our knowledge of the system as a sort of databank.

"We provide more than just information on grants, though. We put together a presentation for the company, in the language of Whiteminster. Our role is that of a broker between the company and the system."

Today the company has a portfolio of 60 top names as its clients. It has helped Holiday Inns with its hotel development in Cardiff and companies such as Gallagher and Tetrapak in other projects. Within its short life Harris believes Eurofi has managed to get around £100m for its clients.

One project involved a British company in a £12m redevelopment in an assisted area. "The company had costed out the scheme," Harris says, "and found it to be too dear. We put together a package at lower net cost because we knew exactly what it was entitled to in various grants."

Most of the finance comes from national governments but there is an EEC dimension in most projects now, if only because the Community is anxious to stimulate regional development.

"About 10 to 20 per cent of our projects are exclusively involved with funds from Brussels," Harris explains, "but there is EEC money in 80 per cent of the projects we undertake. Our great skill lies in tapping this particular pot."

The skill derives from the fact that of the 14 other directors of the company some have worked in Brussels and all have been involved in the interface between government and business.

Hugh Thomas, the marketing director, who runs the Cardiff office, was with British Steel; David Bennett advised British Gas on EEC affairs and was a delegate to the EEC's economic and social committee; Norman Holmes, responsible for the Birmingham office, was chief executive of the West Midlands Enterprise Board; and Trevor Nuttall, of the Leeds office, was director of the Yorkshire and Humberside Development Association for four years.

The company is based in Newbury but it has offices in five British towns as well as Brussels, New York and Tokyo.

In its five-year existence Eurofi's work has broadened. It started by being able to explain the rules of how to get grants for companies. Civil servants used to keep these very much to themselves.

As regional grants became more selective and jobs-linked, Eurofi has found that its work has become increasingly concerned with the consequences of legislative changes.

One continental client, which had a third of the European market for its product, suddenly found that the Commission in Brussels was considering basing a new standard for the working of a piece of machinery on advice presented by a competitor, a company which had a minuscule share of the market. Eurofi was able to convince officials in Brussels it made more sense to base the standard on the experience of the major company, the one whose equipment dominated the market.

Eurofi has also branched into publications and seminars. The biggest order for its index of EEC publications, a constantly changing field, is the Community itself — even though the Commission produces its own document.

"We started as a consultancy," says Harris, "but it quickly became apparent that the smaller concern had less need for specialist financial advice. Its need was general consultancy advice on matters such as marketing and company structure.

"Any number of others could do this and so, early on in life, we withdrew. We refined our act so that we now only act for the major concern in our specialist field at the interface between government and private industry.

"Because government knows we know our business and their rules and that we do not present a bogus case we nearly always get for a company what we present. Our success rate is 100 per cent, which is most satisfying to us as well as our clients."

Business courses

International company lawyers' conference, Paris. February 19-21. Fee: Non-members BFr 66,000; members (AMA/I) BFr 59,000. Details from Management Centre Europe, rue Caroly 15, B-1040 Brussels. Tel: 32/2/516.19.11. Telex: 21.917.

Fleet replacement management, Glasgow. January 21-22. Fee: £175. Details from the course organiser, Fleet Replacement Management, Strathclyde Business School, 130 Rottenrow, Glasgow G4 0GE.

Entrepreneurs to the rescue?, Brunel. February 5. Fee: £145. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: (0895) 56461, Ext 215.

Sampling and statistics in market research, Stratford upon Avon. February 12-14. Fee: Members £230; non-members £304.75. Details from Courses Secretary, the Market Research Society, 15 Belgrave Square, London SW1X 8PF.

Applying decision technology, Uxbridge. January 27-28. Fee: £325. Details from the Secretary, Management Programme, Brunel University, Uxbridge, Middlesex UB8 3PH. Tel: 0895 56461 ext. 215.

Diversification strategy, London. January 29. Fee: full £143.75; individual and associate members £126.50; corporate members £92. Details from Society for Strategic and Long Range Planning, 15 Belgrave Square, London SW1X 8PU. Tel: 01-235 0246/7.

TECHNOLOGY

EDITED BY ALAN CANE

Geoffrey Charlish on how a high cost research tool has been made cheaper

Supercomputer brought within affordable reach

CONVEX COMPUTER Corporation of Richardson, Texas, planning to set up in Europe during the first quarter of 1986, says it can make high powered "supercomputers" available to thousands of medium-sized companies, universities and research bodies that could not previously afford them.

Such machines are needed when extremely large amounts of data have to be processed and the user is unable or unwilling to wait for mainframe or minicomputer to grind the numbers down.

A large use is in mathematical modelling, a way of simulating in a computer how complex processes or systems will behave in real life. Examples range from evaluating the behaviour of a complex microprocessor before committing it to silicon, to predicting the flight behaviour of a new aircraft. A form of simulation, with sophisticated graphics, is used in computer aided engineering, an extension of computer aided design.

The biggest supercomputers, made by such companies as Cray, CDC, Fujitsu, Hitachi and NEC, can cost up to $20m, so that only the largest companies can afford them. Convex believes there are many smaller organisations that would like to simulate high value products before making prototypes. Costly errors could be avoided, designs optimised and good products brought to market more quickly.

The so called "superminis," at $200,00 to $400,000, cost less (Digital Equipment Corporation's VAX machines are typical), but their power is not comparable with, say, the Cray machines, even with added power in the form of array processors. According to Convex, mainframes, the only other choice, are usually inferior to superminis in executing the time-consuming, multiple-variable calculations found in research and development.

A Cray 1 can compute perhaps 140m floating point operations per second or Flops, in the jargon. The Flop is an acknowledged yardstick of the power of this kind of computer. The best superminis only reach speeds of about 300,000 flops.

Companies compromise on quality and academic bodies suffer research handicaps

Many organisations have had to make do with less computing power than they need says Convex. Companies have to compromise on product quality, profitability and time to market, while academic bodies suffer research handicaps.

At $500,000 the machine launched about a year ago by Convex, the C-1, is claimed to have about a quarter of the power of a Cray 1 at 10 per cent of the price.

By the end of this year the company expects to have installed 25 machines, or some 15 per cent of the world's installed base of supercomputers.

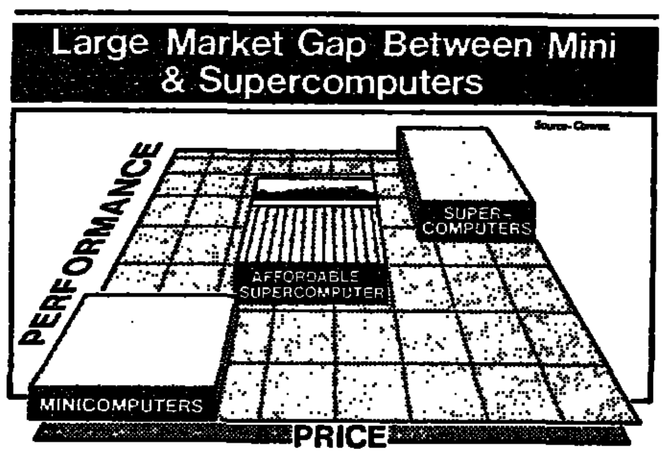
Convex says it has achieved high performance by taking the best from both supermini and supercomputer design.

Speed is a matter of dealing with data inside the computer in the largest possible simultaneous "chunks." The superminis usually have 32 bit data paths or chunks, while the supercomputers work at 64 bits, allowing them to get through calculations at nearly twice the speed.

In addition, the superminis usually use "scalar processing" in which only one operation and one data element are dealt with at a time. The supercomputers use "vector processing," enabling them to perform operations on arrays of data simultaneously.

Another technique employed in supercomputers is "pipelining," which allows them to handle several different instructions at the same time. Large gains in speed are possible.

In the C-1, Convex has used 64 bit data paths, pipelining, and a combination of vector and scalar processing. It also uses a technique called "chaining" which is rather like pipelining but operates at a data level below that of an instruction and deals with operands (more basic pieces of data like addresses).



By using familiar operating software the C-1 can use existing engineering application software

Further speed increases are produced by using input/output computer subsystems, relieving the main computer of these tasks and allowing data to enter and leave the system at up to 80 megabytes per second (millions of characters per second). A typical supermini has an input/output rate of 10 to 15 megabytes a second. In conjunction with a large fixed memory, the machine, claims Convex, has an overall performance 20 times that of a typical supermini.

By using such familiar operating software as Unix and languages such as Fortran, C-1 can deploy a wide range of existing mechanical and electronic engineering application software. By contrast, the big supercomputers often use special and less "friendly" software. Furthermore, the C-1 uses conventional hardware for the most part, cutting both purchase and operating costs.

Convex is convinced that, at $500,000, the C-1 will soon find applications in Europe similar to those established in the US. For example, Core Laboratories of Dallas is simulating and analysing reservoir designs, Boeing Aerospace is able to carry out large scale simulations of communications satellites, while Stanford University uses a C-1 to create visual images of seismic data.

The next step by Convex will be to use parallel processing, in which a problem is broken down in software into parts that run concurrently on multiple central processors.

Aquaprint aims to make a good impression

MAKING A good impression underwater is the objective of a system from BP Chemicals called Aquaprint.

The company has developed a polymer which can be applied by a diver to make a rapid, accurate impression of a submerged area of steel structure, for later inspection on the surface.

Already formulated and mixed, the material is supplied in cartridges for use with an air-driven applicator. The diver applies a bead of material to the area under inspection, usually a weld or joint in a steel, concrete or wooden structure.

The polymer cures rapidly and is removed by hand and taken to the surface where the extreme accuracy of the system allows cracks, corrosion, pitting and other shortcomings to be asessed in detail.

In the North Sea, inspecting structures and in particular the welds, is normally a difficult, dangerous and expensive operation. But it has to be carried out every year to maintain the high levels of safety and integrity in the submerged steel frameworks.

The underwater engineering group of the Construction Industries Research and Information Association estimates that the annual subsea maintenance bill in the North Sea is about £200m.

These costs include hiring large and complex diving vessels, employing of divers and other skilled personnel, maintenance of diving equipment and often the hiring of remotely operated vehicles.

Coupled with delays caused by bad weather, the hourly cost to keep a diver in the water can easily exceed £3,000 His job is in any event difficult, so that anything to make life easier and cut the time submerged is welcomed in diving circles.

BP claims that the alternatives to Aquaprint—photography, gauging and magnetic particle inspection—each have their drawbacks. In underwater photography fine detail may be lost due to lighting problems, the use of gauges is too time consuming and magnetic particle inspection, in which fluorescent particles are diffused into cracks to pick them out, do not show surrounding detail and depend on the diver's interpretation.

Aquaprint allows a precise impression to be taken including the ink particles to show up cracks. The whole can then be examined by experts on the surface.

The system has been developed and tested with the co-operation of the offshore oil industry and diving companies. The materials are non-toxic and the self-contained design of the gun and cartridges allows application at depth and in any position.

More on 01-581 6804.

GC

Inhuman voice poses threat to Prestel

A NEW threat to electronic information systems such as Prestel which depend on a video screen to display data is on the way—with an inhuman voice as its centrepiece.

Dun & Bradstreet's "DunsVoice" credit information service due to be launched soon in the UK (this page, December 12) is likely to prove to be the forerunner of a host of computer generated voice response services (audiotex) which will soon be on offer in the UK if the US experience is anything to go by.

According to Roland Van der Meer and Clifford Higgerson of H & Q Communications Ventures, a new fund within Hambrecht and Quist Venture Partners, the voice response industry in the US is on the verge of an explosive takeoff.

They say: "Despite the fact that the voice response industry is over 20 years old, there are no major successful equipment companies. Nevertheless, we believe that the voice response industry is only beginning to discover its potential.

"We anticipate a dramatic growth of 40 per cent to 50 per cent in equipment sales over the next five years, resulting in a total market size of $500m by 1990."

At present, they estimate, the size of the market is only $80m.

Voice response services mean systems where customers dial for information and are answered by a mechanically generated voice. The simplest example is the speaking clock or the recorded messages that greet a wrongly dialled number.

Such systems are very primitive, depending only on a voice recording which is played down the telephone line when the connection is made. Nevertheless, in the US it has been estimated that using such simple audio response systems to assist operators answering directory enquiries cut operator costs by $36m a year.

Today's sophisticated systems are interactive—there is a dialogue between the customer and the voice response system. Because voice recognition techniques are still in an early stage of development, the customer's side of the dialogue is a little basic.

It consists of tapping out number codes on the keyboard of a push button telephone. Such telephones generate musical tones which are transmitted down the telephone line and recognised by a computer at the other end as binary digits the language of computers.

The answering voice can be generated several ways:

- Digitised voice: spoken words are recorded and turned into streams of binary digits using a sampling technique. The words can be stored in fast semiconductor memory or on disk. If disk storage is used, however, the chosen sentence must be transferred to semi-conductor memory before replay for the voice to sound continuous.
- Compressed digitised voice: It takes 20m bits of memory capacity to store five minutes of speech using digitising techniques (the entire operating system of a large computer can be squeezed into 8m bits).

It is difficult to manage this amount of stored information and in a conventional telephone system, the result can be choppy, discontinuous speech.

Techniques which compress the voice into a much smaller memory space help to solve the problem, the trade-off being some loss of voice quality.

- Synthesized voice: whereas digitized voice is real speech recorded in computer language, synthesized voice sets out to use computer language to create an artificial voice. It is still not very successful, although continuous development of the computer software used to create the voice has resulted in measureable improvement.

The applications of voice response systems in the US include the "976" or "dial-it" information/entertainment services. According to Van der Meer and Higgerson, it is the most widely known and hottest voice response service today.

But there are warnings that the link with the user is the critical part of the system; the proper voice prompts are necessary so that a user will be carefully guided through a simple menu of selections to achive the end result.

Careful human engineering is necessary for a successful system. If done properly, the applications become saleable and users are satisfied; if not, they will flee." Dun & Bradsteet came to similar conclusions in designing DunsVoice.

Many experts contend, Van der Meer and Higgerson say, that where videotex — Prestel — has failed due to the cost of computer terminals, their lack of easy access and the cost of communications, audiotex will prosper.

Videotex may have stolen the early thunder, but it could be that audiotex will have the last word.

ALAN CANE

BT claims data record

BRITISH TELECOM claims to have set a world record in optical fibre transmission by sending data over a 20 mile link at 2.4bn bits a second.

This is claimed to be the highest rate yet achieved over an installed optical cable and illustrates the feasibility of upgrading existing cables by using only new terminal opto-electronics, without replacing the cable.

The fibre is a single mode type running between Tamworth and Birmingham. The transmission rate achieved represents a 16 fold increase over the existing 140m bits a second. It is equivalent to passing 30,720 separate speech channels, or 32 colour TV transmissions down the same fibre.

High capacity single mode transmission calls for a very pure, single wavelength light source. Such a device, a distributed feedback laser working at 1.52 microns wavelength, has been developed at BT's Martlesham research labs and was used in the trial.

Alarm case

PEAK TECHNOLOGIES of Borehamwood, Hertfordshire, is offering a security attache case which may appeal to those who have to carry valuables in the streets.

The case incorporates a radio-operated two stage audio and smoke alarm which can be set off by the owner from 40 ft away.

If the case is stolen, a small hand-held radio transmitter is energised by the owner and the receiver in the case sets off an audio alarm. After 15 seconds, thick red smoke pours from a canister fitted in the case, although this can be inhibited if the thief returns the case in that time.

The company believes the system protects user as well as the valuables—there is no need to resist the thief and risk injury, since he is unlikely to get very far.

More on 01 207 0020.

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	Dec. 27	Dec. 26	Dec. 24	Dec. 23	Dec. 20	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
♦Industri'ls	1543.95	1526.49	1519.16	1528.78	1543.00	1553.10 (16/12)	1184.96 (4/1)	1553.10 (16/12/85)	41.22 (2/7/32)
Home Bnds	83.63	83.56	83.56	83.53	83.27	83.63 (27/12)	72.72 (26/8)	—	—
Transport	708.46	701.78	698.38	702.25	711.26	723.31 (16/12)	553.03 (4/1)	723.31 (16/12/85)	12.32 (8/7/32)
Utilities	172.09	171.27	172.19	173.22	174.96	174.96 (20/12)	146.54 (4/1)	173.63 (18/12/85)	10.5 (28/4/42)
TradingVol 000-†	81,560	62,050	78,300	107,630	170,270	—	—	—	—

♦Day's High 1546.85 (1532.57) Low 1527.29 (1514.68)

	Dec. 20	Dec. 13	Dec. 6	year ago (aprox)
Industrial dividend yield %	4.12	4.12	4.28	4.89

STANDARD AND POORS

	Dec. 27	Dec. 26	Dec. 24	Dec. 23	Dec. 20	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Industrials	233.02	230.85	230.12	231.60	234.17	235.75 (16/12)	182.24 (4/1)	235.75 (16/12/85)	3.62 (30/6/32)
Composite	209.61	207.65	207.14	208.57	210.94	212.02 (16/12)	163.68 (4/1)	212.02 (16/12/85)	4.40 (1/6/32)

	Dec. 25	Dec. 18	Dec. 11	Year ago (approx.)
Industrial dividend yield	3.86	3.41	3.48	4.11
Industrial P/E ratio	13.51	14.77	14.00	10.42
Long Gov. Bond yield	9.29	9.33	9.45	11.38

N.Y.S.E. ALL COMMON

Dec. 27	Dec. 26	Dec. 24	Dec. 23	1985 High	1985 Low
120.62	118.66	118.25	120.01	121.90 (16/12)	94.60 (4/1)

Rises and Falls

	Dec. 27	Dec. 26	Dec. 24
Issues Traded	1,983	1,957	1,976
Rises	1,123	852	520
Falls	428	615	960
Unchanged	432	490	496
New Highs	90	42	39
New Lows	6	7	10

TORONTO

	Dec. 27	Dec. 24	Dec. 23	Dec. 20	1985 High	1985 Low
Metals & Minerals	2063.12	2050.0	2046.8	2069.7	2190.07 (15/2)	1740.82 (31/10)
Composite	2882.5	2874.7	2875.1	2878.3	2884.3 (17/12)	2348.6 (8/1)
MONTREAL Portfolio	141.29	141.0	141.11	141.38	142.07 (17/12)	117.00 (4/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Union Carbide	2,388,600	71⅝	−⅛	Midcon Corp.	746,200	65⅞	—
US Steel	1,590,500	25⅞	+⅜	ATT	741,200	24⅝	+⅛
Energy Ex.	1,105,500	⁵⁄₁₆	+¹⁄₁₆	IBM	727,000	155½	+2⅞
Texaco	856,300	31	+⅛	TWA	691,800	17⅞	−⅛
Baxter Lab	797,400	15⅞	+⅛	Sou. Calif.	672,200	26⅞xd	−⅛

	Dec. 27	Dec. 26	Dec. 24	Dec. 23	1985 High	1985 Low
AUSTRALIA All Ord. (1/1/80)	—	(c)	994.0	990.5	1052.2 (25/10)	716.3 (7/1)
Metals & Minls.(1/1/80)	—	(c)	480.9	477.0	545.8 (20/6)	362.5 (7/1)
AUSTRIA Credit Aktien (2/1/62)	118.10	(c)	(c)	117.59	121.93 (26/11)	58.21 (24/1)
BELGIUM Brussels SE (3/1/80)	2928.05	(c)	2924.25	2896.31	2998.38 (25/11)	2090.7 (18/1)
DENMARK Copenhagen SE(3/1/83)	236.81	(c)	(c)	234.41	257.57 (24/10)	158.44 (8/1)
FRANCE CAC General(31/12/82)	262.0	258.8	257.9	257.1	262.0 (27/12)	180.8 (8/1)
Ind Tendance(28 12/84)	154.20	151.8	150.5	150.5	154.20 (27/12)	100.1 (8/1)
GERMANY FAZ Aktien (31/12/58)	649.14	(c)	(c)	641.45	649.14 (27/12)	382.58 (8/1)
Commerzbank (1/12/53)	1957.1	(c)	(c)	1908.0	1957.1 (27/12)	1111.8 (8/1)
HONG KONG Hang Seng Bank(31/7/64)	1730.57	(c)	1717.54	1704.29	1762.51 (21/11)	1220.74 (2/1)
ITALY Banca Comm Ital. (1972)	456.78	(c)	(c)	451.97	456.78 (27/12)	228.56 (2/1)
JAPAN** Nikkei (16/5/49)	13093.18	13084.8	13010.7	13045.0	13129.8 (17/12)	11545.2 (5/1)
Tokyo SE New (41/68)	1047.08	1046.61	1037.97	1038.91	1057.55 (10/7)	916.93 (4/1)
NETHERLANDS ANP.CBS General (1970)	(c)	(c)	252.1	254.2	254.2 (23/12)	185.8 (8/1)
ANP-CBS Indust (1970)	(c)	(c)	257.7	259.4	259.4 (23/12)	147.9 (8/1)
NORWAY Oslo SE (4/1/83)	392.78	(c)	(c)	388.42	412.99 (12/11)	288.16 (2/1)
SINGAPORE Straits Times (1966)	814.54	806.55	(c)	800.16	862.65 (7/5)	596.18 (23/12)
SOUTH AFRICA JSE Gold (28/9/78)	—	(c)	(u)	1167.7	1277.1 (26/11)	828.5 (5/6)
JSE Indust (28/9/78)	—	(c)	(u)	1046.5	1049.2 (28/11)	787.1 (7/5)
SPAIN Madrid SE (28/12/84)	134.87	134.35	(c)	134.55	137.55 (16/12)	101.49 (2/1)
SWEDEN Jacobson & P (11/58)	1,715.06	(c)	(c)	1689.96	1750.59 (16/12)	1286.22 (8/7)
SWITZERLAND Swiss BankCpn(31/12/58)	569.30	(c)	(c)	567.2	569.30 (27/12)	508.7 (8/1)
WORLD Capital Intl. (1/1/70)	—	251.4	250.7	251.8	255.2 (16/12)	184.6 (4/1)

** Saturday Dec 21: Japan Nikkei 12,962.8. Dec 25: Japan Nikkei 13,097.8.

Base value of all indices is 100, except: JSE Gold—255.7: JSE Industrial—264.3; Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

GERMANY

[illegible]

SOUTH AFRICA

[illegible]

FRANCE

[illegible]

SWITZERLAND

[illegible]

NETHERLANDS

[illegible]

HONG KONG

[illegible]

NORWAY

1985 High	1985 Low	Dec. 27	Price Kroner
175	124	Bergens Bank	170
469	335	Borregaard	450
183.5	134	Christiania Bk	176
189	134.5	Den Norsk Credit	189
155	93	Elkem	108
237	171	Kosmos	177
211	155	Kvaerner	187.5
457.5	302	Norsk Data	408
166.5	96	Norsk Hydro	149.5
308	217.5	Storebrand	266

SWEDEN

1985 High	1985 Low	Dec. 27	Price Kroner
185	106	AGA	180
267	174	Alfa-Laval B	264
360	225	ASEA (Free)	325
525	335	Astra (Free)	500
193	97	Atlas Copco	180
295	216	Cardo (Free)	265
174	113	Cellulosa	170
195	122.5	Electrolux B	190
310	191	Ericsson B	228
455	293	Essette	447
203	149	Mo Och Domsjo	198
225	162	Pharmacia	186
610	327	Saab Scania Free	605
710	315	Sandvik	680
371	240	Skandia	360
80	42	Skan Enskilda	78.5
294	169	SKF	294
180	151	Sonneson	154
177	130	Stora Kopparbrg	166
233	140	Sven Handelsbn.	232
271	160	Swedish Match	240
321	211	Volvo B (Free)	310

ITALY

1985 High	1985 Low	Dec. 27	Price Lire
26,600	16,400	Banca Com'le	23,650
540	56.5	Bastogi IRBS	499
3,900	2,159	Centrale	3,750
—	—	C.I.R.	6,345
—	—	Credito Italiano	3,180
5,980	2,065	Fiat	5,980
77,800	34,460	Generali (Assc.)	77,800
55,150	24,880	Italcementi	51,150
1,066.5	582	La Rinascente	972
2,648	1,340	Montedison	2,610
8,790	3,755	Olivetti	8,750

[illegible]

AUSTRALIA

[illegible]

JAPAN

[illegible]

SINGAPORE

1985 High	1985 Low	Dec. 27	Price $
1.86	1.02	Boustead Hldgs.	1.11
3.32	2.34	Cold Storage	2.55
6.4	4.68	DBS	4.70
6.5	4.04	Genting	4.34
2.59	1.58	Haw Par. Bros	1.87
3.32	2.1	Hong Leong Fin.	2.35
2.74	1.47	Inchcape Bhd.	1.46
1.24	0.86	Keppel Shipyard	0.98
6.46	4.3	Malay Banking	4.34
2.6	1.5	Malay Utd. Int.	1.55
1.05	0.55	Multi purpose	0.56
9.55	7.05	OCBC	7.25
4.36	2.34	OUB	2.54
1.78	1.0	Public Bank	1.09
2.16	1.24	Sime Darby	1.56
6.85	5.40	Singapore Press	5.50
3.79	1.24	Straits Trading	2.11
2.98	2.06	Tats Lee Bk	2.19
4.66	2.91	UOB	3.18

SPAIN

1985 High	1985 Low	Dec. 27	Price P'ta %
434	305	Bco Bilbao	418
342	305	Bco Central	342
220	192	Bco Exterior	204
177	141	Bco Hispano	155
450	330	Bco Popular	439
417	324	Bco Santander	417
592	399	Bco Vizcaya	592
185.5	137	Dragados	142
94	70	Hidrola	86.7
112	81.5	Iberduero	104.5
185	125.5	Petroleos	166.2
144	94.5	Telefonica	126

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ≠ Dealings suspended. xd Ex dividend. xe Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Closing prices December 27

[illegible]

MONTREAL

Closing prices December 27

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices December 27

[illegible]

Closing prices, December 27

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
26¾	16	AAR	.56	2.2	16	48	25¾	25⅜	25¾	+ ¼
21⅛	10¼	AGS			17	480	u21½	20⅝	21½	+ ⅞
15⅜	9⅞	AMCA				8	11¼	11⅛	11⅛	− ⅛
50¾	33½	AMR			7	4023	40⅞	40	40⅞	+ 1
24¾	18⅝	AMR pf2.18		9.3		10	23½	23½	23½	
13¾	7⅜	APL			5	26	11	11	11	− ⅛
16¾	9	ARX			15	40	16⅜	16⅛	16⅜	+ ⅛
55⅝	32¾	ASA	2a	5.9		379	34¼	33½	34⅛	+ ⅝
27	10½	AVX	.32	2.2		296	14⅜	14⅛	14⅜	+ ½
28⅛	20⅝	AZP	2.72	10	8	1551	26⅞	26⅝	26¾	+ ¼
72	39⅞	AbtLab 1.40		2.1	18	1518	65¾	65⅛	65½	+ ½
26⅝	19⅝	AccoWd .50		1.9	19	12	26	25⅞	26	
24¾	10	AcmeC .40		3.4	17	77	12⅛	11⅞	11⅞	− ⅛
10½	7	AcmeE .32b		3.8	13	2	8½	8⅜	8½	+ ⅛
19½	15½	AdaEx 1.92e		10.		56	19⅜	19⅛	19¼	
22⅝	14	AdmMl .40		1.8	9	74	21¾	21¼	21¾	+ ½
18⅜	8¾	AdvSys .53t		3.0	16	47	17¾	17⅜	17½	+ ⅜
38⅝	22⅞	AMD			43	4263	29¼	28⅝	29¼	+ ⅞
12⅝	10⅝	Adobe n				125	12¼	12⅛	12⅜	
17½	14⅝	Adob pf 1.84		10.		166	u17⅞	17½	17⅝	+ ⅜
17⅞	15¼	Adob pf 2.40		13.		56	17⅞	17¾	17⅞	+ ⅛
14	7½	Advest .12a		.8	20	688	u14⅛	13¾	14⅛	+ ½
53⅝	35⅞	AetnLf 2.64		5.1	17	2612	52⅝	51⅝	52¼	+ ½
57½	52½	AetL pf5.19e		9.7		213	53¾	53¼	53¼	− ⅛
48⅛	24⅜	Ahmns 1.20		2.5	8	1624	48	47	47½	+ ⅞

[illegible]

Continued on Page 21

NYSE COMPOSITE CLOSING PRICES

Continued from Page 20

14	9½	WolvrW.24	1.8		169	13⅝	13½	13½	
62½	36½	Wolwth 2	3 4	12	379	59	58	59	+⅝
88¼	51½	Wolw pf2.20	2.7		2	83	83	83	−½
5⅝	2⅝	WrldAr			21	3⅞	3⅞	3⅞	
95	57½	Wrigly 1.80a	1.9	16	14	93½	92⅝	93½	+⅞
4¾	2⅞	Wurltzr			286	3⅛	3	3⅛	
16	10⅝	WyleLb .32	2.2	64	76	14¾	14½	14¾	+¼
23⅝	16½	Wynns .60	3.5	13	43	17⅜	17⅛	17⅛	

X Y Z

60½	37¼	Xerox 3	5.1	20	1444	58⅞	57½	58⅝	+⅞
58¾	48½	Xerox pf5.45	10.		1	54½	54½	54½	+¼
30¼	24⅝	ZaleCp 1.32	4.5	13	72	29½	29⅛	29⅜	+⅛
17	6⅛	Zapata .12	1.5	55	858	7¾	7½	7¾	+⅛
66⅛	32⅝	Zayre s .48	.8	18	835	60¼	59½	60¼	+1½
25	16¼	ZenithE			1000375	20	19⅝	20	+½
23	17¼	Zero s .32	1.4	20	22	u23⅜	23¼	23⅜	+⅜
41½	24¾	Zurnin 1.32	3.6	14	62	37	36⅝	36¾	+½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, December 27

OVER-THE-COUNTER

Nasdaq national market, closing prices, December 27

Continued on Page 19

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

A year of contrasts

BY COLIN MILLHAM

This has been a year of contrasting records on the foreign exchanges, with sterling touching a record low, the dollar rising to a 13½-year peak, and later falling to a 2½-year low. It has also been a year when the turmoil in South Africa has put pressure on the rand and led to the reintroduction of exchange controls.

The strength of the dollar in the first half of the year helped keep the European Monetary System quiet and steady, but concern about Italy's trade deficit caused a devaluation of the lira in July.

By the end of the year pressure also seemed to be mounting on the Belgian franc, as the dollar fell from favour and funds flowed back into the Deutsche Mark. Demand for the Deutsche Mark tends to cause problems for other members of the EMS, and if the present trend continues a realignment within the *EMS appears to be a strong* possibility in the next few months.

The dollar's strength at the beginning of the year was the result of firm US interest rates, strong money supply growth, and fast US economic growth in the latter part of 1984. Fourth quarter gross national product growth was then around 4 per cent. Although the figure of 3.2 per cent growth for the same period in 1985 compares reasonably well, earlier quarters were disappointing, and the rise in the latest three months seemed to be based on stockbuilding and government contracts, rather than a growth in consumption.

Money supply remains strong, with M1 well above the Federal Reserve's target range, although US officials have tended recently to play down the importance of this figure.

Short-term Eurodollar rates are very little changed from the beginning of the year, but the positive yield curve, with the one-year rates at 9¾ per cent in *January, has been reversed, with* one-year money now around 8 per cent. The US discount rate was cut to 7½ per cent from 8 per cent in May, and the dollar's present weakness reflects speculation about another imminent reduction.

The dollar's range this year has covered nearly one D-Mark, rising to a high of DM 3.4510 in February, and closing on Friday at DM 2.4720, the lowest since May 1983.

During the last three months the dollar has fallen steadily as a result of the Group of Five meeting in late September. At this meeting finance ministers from the leading industrial nations pledged themselves to concerted action to push down the value of the dollar.

This decision was well timed, since it followed a disappointing *US third quarter GNP figure* of 2.8 per cent, which was later revised up to 4.3 per cent, and now back to 3 per cent. US statistics have been erratic, but the general trend has shown slowing economic growth. Combined with the fear of central bank intervention this has pulled the dollar down sharply.

Although the central banks have stepped in when necessary, their task has been made easier by the sluggish US economy and a change of sentiment towards the dollar.

Japan and Europe were at first concerned to stifle protectionist pressure in the US, by depressing the value of the dollar, particularly against the yen and D-Mark, but the Bank of Japan and German Bundesbank have both shown signs that they are happy with levels of around DM 2.50 and Y200. If the central banks maintain their present grip on the market, 1986 should be a much less volatile year than 1985.

£ IN NEW YORK

	Dec. 27	Dec. 23
£ Spot	$1.4460-1.4475	$1.4265-1.4285
1 month	0.39-0.38pm	0.40-0.39pm
3 months	1.22-1.19pm	1.26-1.24pm
12 months	4.53-4.43pm	4.55-4.47pm

Forward premiums and discounts apply to the U.S. dollar.

CURRENCY MOVEMENTS

Dec. 27	Bank of England Index	Morgan Guaranty Change %
Sterling	77.9	−13.2
U.S. dollar	126.3	+15.6
Canadian dollar	80.7	−11.6
Austrian schilling	122.0	+6.2
Belgian franc	93.0	−9.5
Danish Kroner	83.9	−2.2
Deutsche mark	131.2	+12.1
Swiss franc	151.3	+12.2
Guilder	121.0	+7.2
French franc	70.0	−11.6
Lire	45.3	−19.3
Yen	176.7	+29.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

OTHER CURRENCIES

Dec. 27	£	$
Arg'tina	1.1444-1.1487	0.8000-0.8010
Aus'alia	2.0970-2.1010	1.4640-1.4665
Brazil	14,841-14,933	10,375-10,425
Finland	7.7935-7.8315	5.4620-5.4640
Greece	211.94-213.67	149.00-149.50
H'kong	11.1786-11.2076	7.8050-7.8100
Iran	120.50*	84.80*
Kuwait	0.4159-0.4172	0.29040-0.29080
Lux'burg	72.35-72.45	50.25-50.45
Malay'sa	3.4835-3.5016	2.4325-2.4375
N'Z'land	2.8480-2.8580	1.9880-1.9960
Saudi Ar	5.2245-5.2400	3.6505-3.6515
Sin'pore	3.0295-3.0425	2.1100-2.1150
S.Af.(Cm)	3.7760-3.7910	2.6350-2.6455
S.Af.(Fn)	5.2110-5.4075	3.6365-3.7735
U.A.E	5.2570-5.2720	3.6720-3.6730

* Selling rate.

CURRENCY RATES

Dec. 27	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.761984	0.614665
U.S.$	7½	1.09177	0.879891
Canadian $	9.49	*	1.23009
Austria Sch.	4	19.0732	15.3717
Belgian Fr	9¾	55.4428	44.5929
Danish Kr	7	9.92955	7.95773
D'mark	4	2.71687	2.18477
Guilder	5	3.06132	2.46176
French Fr	9½	8.32475	6.70477
Lira	15½	N/A	1491.41
Yen	5	221.466	178.046
Norway Kr	8	N/A	6.70917
Span'h Pta	—	169.606	136.823
Swedish K	10½	8.39080	6.72237
Swiss Fr	4	2.28780	1.83853
Greek Dr'ch	20½	163.476	131.897
Irish Punt	—	N/A	0.713907

* CS/SDR rate for Dec 26, n/a.

POUND SPOT—FORWARD AGAINST POUND

Dec 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4245-1.4385	1.4375-1.4385	0.40-0.37c pm	3.21	1.25-1.20pm	3.41
Canada	1.9921-2.0160	2.0110-2.0160	0.38-0.28c pm	1.97	1.17-1.02pm	2.18
Nethlnd.	3.99¼-4.03¼	4.01-4.02	2-1⅞c pm	5.80	5¾-5⅜pm	5.49
Belgium	72.35-73.13	72.35-72.45	15-7c pm	1.83	38-23pm	1.69
Denmark	12.90½-13.02	12.95½-12.96½	4-3ore pm	3.24	10¼-9pm	2.95
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 73.60-73.70. Six-month forward dollar 2.63-2.48c pm. 12-month 4.80-4.45 pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4245-1.4385	1.4375-1.4385	0.40-0.37c pm	3.21	1.25-1.20pm	3.41
Ireland†	1.2280-1.2305	1.2290-1.2305	[illegible]	[illegible]	[illegible]	[illegible]
Canada	1.3970-1.3995	1.3975-1.3985	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	2.7860-2.8295	2.7920-2.7930	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.15-51.25.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 27	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	44.5929	−0.53	+0.98	±1.5425
Danish Krone	8.12857	7.95773	−2.10	−0.59	±1.6421
German D-mark	2.23840	2.18477	−2.40	−0.89	±1.1455
French Franc	6.86402	6.70477	−2.32	−0.81	±1.3654
Dutch Guilder	2.52208	2.46176	−2.39	−0.88	±1.5162
Irish Punt	0.724578	0.713907	−1.47	−0.04	±1.6673
Italian Lira	1520.60	1491.41	−1.92	−1.42	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

POUND—$ (FOREIGN EXCHANGE)

IMM—STERLING

LIFFE—STERLING

LIFFE—DEUTSCHE MARKS

CHICAGO

IMM—STERLING

US TREASURY BONDS (CBT)

US TREASURY BILLS (IMM)

CERT. DEPOSIT (IMM)

THREE-MONTH EURODOLLAR (IMM)

LIFFE—EURODOLLAR OPTIONS

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LONDON

20-YEAR 12% NOTIONAL GILT

THREE-MONTH STERLING

THREE-MONTH EURODOLLAR

10% NOTIONAL SHORT GILT

US TREASURY BONDS

FT-SE 100 INDEX

[illegible]

EXCHANGE CROSS RATES

Dec 27	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.281	0.405	1.	81.79	3.066	0.844	1.129	683.4	0.566	20.37
YEN	3.439	4.946	12.23	1000.	37.57	10.32	13.81	8356.	6.926	249.0
F Fr.	0.917	1.318	3.259	266.6	10.	2.750	3.681	2227.	1.846	66.38
S Fr.	0.333	0.479	1.185	96.92	3.636	1.	1.338	809.8	0.671	24.13
H Fl.	0.249	0.358	0.885	72.42	2.717	0.747	1.	605.1	0.501	18.03
Lira	0.412	0.592	1.463	119.7	4.490	1.235	1.653	1000.	0.829	29.80
C $	0.497	0.714	1.766	144.4	5.417	1.490	1.994	1207.	1.	35.96
B Fr.	1.381	1.986	4.910	401.6	15.07	4.144	5.546	3356.	2.781	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

Dec. 27	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11⅝-11¾
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8-8⅛
Can Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9⅛-9⅝
D Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5⅞-6
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4⅛-4½
Deutschmrk	4¾-5	5⅞-6⅛	5⅛-5⅛	4⅞-5	4⅞-4⅞	4⅞-4⅞
Fr. Franc	8⅞-9⅛	9½-10	11⅝-12⅝	12¼-13	12¼-13	11½-12
Italian Lira	9-13	9½-15½	15½-18	15½-17	15½-16½	14¾-15½
B.Fr.(Fin)	8¼-8¾	9½-9¾	9⅝-9⅞	9⅝-9⅞	9¼-9½	9-9¼
Br.Fr(Con)	8¼-8⅞	9¾-10¾	9⅞-10	9⅝-9⅞	9¼-9½	8¾-9¼
Yen	7⅛-7⅛	8½-8⅞	7⅛-8⅛	7¼-7⅝	6⅞-6⅞	6½-6⅝
D. Krone	9-9½	9½-10	9-9½	8⅞-9⅝	8¾-9¼	8¾-9¼
Asian $ (Sng)	8⅛-8⅛	—	8⅛-8⅛	8-8⅛	8-8⅛	8-8⅛

Long-term Eurodollars: two years 8⅝-8⅞ per cent; three years 8¾-9 per cent; four years 9-9¼ per cent; five years 9⅛-9⅜ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Sterling holds the key

London interest rates rose very sharply in early 1985. Clearing bank base rates were pushed up to 14 per cent from 9½-9¾ per cent, and only fell back gradually to 11½ per cent. In spite of hopes of much lower rates at various times base rates have been steady at 11½ per cent since the end of July, following *a review of UK monetary policy.*

UK clearing banks base lending rate 11½ per cent since July 30

The change of emphasis by the authorities began when sterling threatened to fall to parity with the dollar in January and February, and has continued as a nervous oil market has prevented the pound from rising in line with most other major currencies

In late February sterling fell to $1.0525, although base rate were already 14 per cent, in an attempt to correct earlier criticism that the authorities were setting interest rates according to domestic criteria, and allowing the pound to sink or swim.

Since then ministers and officialshave been careful to underline the importance of keeping the pound as strong as possible.

Sterling M3 money supply has remained stubbornly above government targets, but has been downgraded as an instrument of monetary policy, with more emphasis placed on the narrow M0 measure, mainly notes and coin. This has grown much more slowly, but the market still has worries about M3 growth even though UK inflation seems to be under control.

NEW YORK

(4 pm)

Prime rate	9½
Broker loan rate	9
Fed funds	7⅞
Fed funds at intervention	7[illegible]
Treasury Bills & Bonds	
One month	5.27
Two month	6.57
Three month	7.22
Six month	7.36
One year	7.54
Two year	7.98
Three year	8.21
Four year	8.37
Five year	8.49
Seven year	8.84
10 year	8.98
30 year	9.27

BANK OF ENGLAND TREASURY BILL TENDER

	Dec. 27	Dec. 20		Dec. 27	Dec. 20
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.1907%	11.1907%
Total of applications	£426m	£422.76m.	Average rate of discount	11.1662%	11.180%
Total allocated	£100m	£100m	Average yield	11.49%	11.50%
Minimum accepted bid	£97.21m	£97.21	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	19%	29%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	Dec. 27	change
LONDON		
Base rates	11½	Unch'd
7 day interbank	11⅞*	−⅛
3mth interbank	11⅞	+1/16
Treasury Bill Tender	11.1662	+0.0145
Band 1 Bills	11⅝	Unch'd
Band 2 Bills	11 7/16	Unch'd
Band 3 Bills	11¼	Unch'd
Band 4 Bills	11 3/16	Unch'd
3 Mth. Treasury Bills	11 3/16	Unch'd
1 Mth. Bank Bills	11 7/16	Unch'd
3 Mth. Bank Bills	11¼	Unch'd
TOKYO		
One month Bills	7.96875	−0.125
Three month Bills	7.71875	−0.13
BRUSSELS		
One month	9 11/16	−1/16
Three month	9 11/16	−⅛
AMSTERDAM		
One month	5 11/16	Unch'd
Three month	5 11/16	Unch'd
NEW YORK		
Prime rates	9½	Unch'd
Federal funds	7 11/16	+⅛
3 Mth. Treasury Bills	7.19	−0.14
6 Mth. Treasury Bills	7.35	−0.12
3 Mth. C D	7.87	+0.07
FRANKFURT		
Lombard	5.5	Unch'd
One Mth. *Interbank*	4.875	+0.060
Three month	4.80	Unch'd
PARIS		
Intervention Rate	8¾	Unch'd
One Mth. Interbank	9	Unch'd
Three month	9 1/16	Unch'd
MILAN		
One month	15 1/16	Unch'd
Three month	15 1/16	Unch'd
DUBLIN		
One month	10¾	+⅜
Three month	12	+1⅛

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

Dec. 27	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lombard In'v'ntion
Frankfurt	4.3-4.5	4.80-4.95	4.75-4.90	4.75-4.85	4.75-4.85	5.5
Paris	9	9-9⅛	1-1	9-9⅛	—	8¾
Zurich	27⅛-28⅛	4 1/16-4½	—	4⅛-4¼	—	—
Amsterdam	5⅞-6½	5½-5⅞	—	5½-5⅞	5½-5⅞	—
Tokyo	7.96875	7.96875	—	7.71875	—	—
Milan	14⅝-15	15¼-15⅝	—	14⅞-15¼	—	—
Brussels	6.60	9⅝-9⅞	—	9⅝-9⅞	9¼-9½	—
Dublin	8-8⅛	10⅝-10⅞	11½-11¾	11⅞-12⅛	12-12¼	—

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 27)

Three months U.S. dollars		Six months U.S. dollars	
bid 8	offer 8 1/8	bid 8	offer 8 1/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Dec. 27	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	10¾-13	10⅞-11½	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
LocalAuthorityDepos	10¼-10½	11¼	[illegible]	[illegible]	[illegible]	[illegible]
Local Author'y Bonds	—	—	12	[illegible]	[illegible]	[illegible]
Discount Mkt Depos.	10½-11¼	11	11⅝	[illegible]	[illegible]	[illegible]
Company Depos	11⅛	11¾	11¾	[illegible]	[illegible]	[illegible]
Finance Hse Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	[illegible]	[illegible]	[illegible]	7.85-8.00
SDR Linked Depos	—	—	8⅛-8⅛	[illegible]	[illegible]	[illegible]
ECU Depos	—	—	9 1/16-9 3/16	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 11¼ per cent; three-month 11⅛ per cent. Bank Bills (sell): one-month 11⅜ per cent; three-month 11¼ per cent. Treasury Bills: Average tender rate at discount 11.1662 per cent. ECGD Fixed Finance Scheme IV reference rate November 6 to December 3 (inclusive): 11.812 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from December 1 1985. Bank Deposit Rates for sums at seven days' notice 5.25-5.625 per cent (nil). Certificates of Tax Deposits (Series 6). Deposits £100,000 and over held under one month 11½ per cent; one-three months 11¼ per cent; three-six months 11¼ per cent; six-nine months 11 per cent; nine-12 months 11 per cent. Under £100,000 10¾ per cent from December 12. Deposits held under Series 5 11½ per cent. Deposits withdrawn for cash 7½ per cent.